

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

MEETING OF THE NATIONAL PETROLEUM COUNCIL

Department of the Interior Building

Washington, D. C.

July 15, 1947

(RECORDING SERVICE)

WARD & PAUL

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OFFICIAL REPORTERS

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Reviewer R.L. Green

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Date of Record: July 10, 1947

Report adopted at meeting of (Date) _____

Statement or Speech at meeting of (Date) _____

EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

AFRIEND
WLC

-----:
: MEETING OF THE NATIONAL PETROLEUM COUNCIL :
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Conference Room, Fifth Floor,
(New) Department of the Interior Bldg.,
Washington, D. C.,
Thursday, July 10, 1947

Met, pursuant to notice, at 9:30 a.m.

PRESENT:

WALTER S. HALLANAN, Chairman, presiding;
JAMES V. BROWN, Secretary

ALSO PRESENT:

H. T. Ashton

T. H. Barton

Jacob Blaustein

William R. Boyd, Jr.

Reid Brazell

Bruce K. Brown

Russell B. Brown

Henry M. Dawes

E. DeGolyer

Fayette B. Dow

J. F. Drake

James P. Dunnigan

Alexander Fraser

W. R. Finney

ALSO PRESENT -- continued

Jake L. Hamon

B. A. Hardey

C. L. Henderson

George A. Hill, Jr.

W. T. Holliday

Eugene Holman

A. Jacobsen

B. Brewster Jennings

Allen A. Jergins

W. G. Maguire

B. L. Majewski

A. C. Mattei

J. Howard Marshall

S. B. Mosher

J. R. Parten

Joseph E. Pogue

Frank M. Porter

Walter R. Reitz

W. G. Skelly

H. L. Thatcher

W. W. Vandever

J. E. Warren

H. C. Wiess

C. R. Williams

ALSO PRESENT-- concluded

Robert E. Wilson

Max W. Ball, Director,

Oil and Gas Division, Department of the Interior

James Mayes, Department of Commerce

Colonel S. C. Lombard

Colonel A. M. Galletly

W. E. Gannon

Francis McIntyre

P R O C E E D I N G S

Mr. Hallanan: Gentlemen, the Council will please come to order.

The Secretary will call the roll.

Mr. James Brown: Mr. Adams.

(No response.)

Mr. James Brown: Mr. Ashton.

Mr. Ashton: Present.

Mr. James Brown: Mr. Barton.

Mr. Barton: Present.

Mr. James Brown: Mr. Bay.

(No response.)

Mr. James Brown: Mr. Blaustein.

Mr. Blaustein: Present.

Mr. James Brown: Mr. Blazer.

(No response.)

Mr. James Brown: Mr. Boyd.

Mr. Boyd: Present.

Mr. James Brown: Mr. Brazell.

Mr. Brazell: Present.

Mr. James Brown: Mr. Bridwell.

(No response.)

Mr. James Brown: Mr. Russell B. Brown.

Mr. Russell B. Brown: Present.

Mr. James Brown: Mr. Cowden.

(No response.)

Mr. James Brown: Mr. Crocker.

(No response.)

Mr. James Brown: Mr. Dawes.

Mr. Dawes: Present.

Mr. James Brown: Mr. DeGolyer.

Mr. DeGolyer: Present.

Mr. James Brown: Mr. Donnell.

(No response.)

Mr. James Brown: Mr. Dow.

Mr. Dow: Present.

Mr. James Brown: Mr. Drake.

Mr. Drake: Present.

Mr. James Brown: Mr. Dressler.

(No response.)

Mr. James Brown: Mr. Duke.

(No response.)

Mr. James Brown: Mr. Dunnigan.

Mr. Dunnigan: Present.

Mr. James Brown: Mr. Edwards.

(No response.)

Mr. James Brown: Mr. Faber.

(No response.)

Mr. James Brown: Mr. Fenton.

(No response.)

Mr. James Brown: Mr. Ferguson.

(No response.)

Mr. James Brown: Mr. Follis.

(No response.)

Mr. James Brown: Mr. Fraser.

Mr. Fraser: Present.

Mr. Hallanan: Mr. Fraser, will you please rise?

I want to present Mr. Fraser as a new member of the
Council.

(Applause.)

Mr. Hallanan: We are very happy to have you.

Mr. Fraser: Thank you very much, Mr. Hallanan.

Mr. James Brown: Mr. Hallanan.

Mr. Hallanan: Present.

Mr. James Brown: Mr. Hamilton.

(No response.)

Mr. James Brown: Mr. Hamon.

Mr. Hamon: Present.

Mr. James Brown: Mr. Hardey.

Mr. Hardey: Present.

Mr. James Brown: Mr. Henderson.

Mr. Henderson: Present.

Mr. James Brown: Mr. Hill.

Mr. Hill: Present.

Mr. James Brown: Mr. Holliday.

Mr. Holliday: Present.

Mr. James Brown: Mr. Holman.

Mr. Holman: Present.

Mr. James Brown: Mr. Hulcy.

(No response.)

Mr. James Brown: Mr. Humphrey.

(No response.)

Mr. James Brown: Mr. Hunt.

(No response.)

Mr. James Brown: Mr. Jacobsen.

Mr. Jacobsen: Present.

Mr. James Brown: Mr. Jennings.

Mr. Jennings: Present.

Mr. James Brown: Mr. Jergins.

Mr. Jergins: Present.

Mr. James Brown: Mr. Johnson.

(No response.)

Mr. James Brown: Mr. Charles S. Jones.

(No response.)

Mr. James Brown: Mr. W. Alton Jones.

(No response.)

Mr. James Brown: Mr. Judd.

(No response.)

Mr. James Brown: Mr. Lerch.

(No response.)

Mr. James Brown: Mr. Lloyd.

(No response.)

Mr. James Brown: Mr. Lovejoy.

(No response.)

Mr. James Brown: Mr. Maguire.

Mr. Maguire: Present.

Mr. James Brown: Mr. Majewski.

Mr. Majewski: Present.

Mr. James Brown: Mr. Mattei.

Mr. Mattei: Present.

Mr. James Brown: Mr. Marshall.

Mr. Marshall: Present.

Mr. James Brown: Mr. McGowen.

(No response.)

Mr. James Brown: Mr. Morrill.

(No response.)

Mr. James Brown: Mr. Mosher.

Mr. Mosher: Present.

Mr. James Brown: Mr. Moyle.

(No response.)

Mr. James Brown: Mr. Nolan.

(No response.)

Mr. James Brown: Mr. O'Shaughnessy.

(No response.)

Mr. James Brown: Mr. Parten.

Mr. Parten: Present.

Mr. James Brown: Mr. Pogue.

Mr. Pogue: Present.

Mr. James Brown: Mr. Frank M. Porter.

Mr. Frank M. Porter: Present.

Mr. James Brown: Mr. H. J. Porter.

(No response.)

Mr. James Brown: Mr. Pyles.

(No response.)

Mr. James Brown: Mr. Reitz.

Mr. Reitz: Present.

Mr. James Brown: Mr. Ring.

(No response.)

Mr. James Brown: Mr. Robineau.

(No response.)

Mr. James Brown: Mr. Rodgers.

(No response.)

Mr. James Brown: Mr. Roesser.

(No response.)

Mr. James Brown: Mr. Rowan.

(No response.)

Mr. James Brown: Mr. Shannon.

(No response.)

Mr. James Brown: Mr. Sinclair.

(No response.)

Mr. James Brown: Mr. Skelly.

Mr. Skelly: Present.

Mr. James Brown: Mr. Taylor.

(No response.)

Mr. James Brown: Mr. Thatcher.

Mr. Thatcher: Present.

Mr. James Brown: Mr. Vandever.

Mr. Vandever: Present.

Mr. James Brown: Mr. Vaughn.

(No response.)

Mr. James Brown: Mr. Warren.

Mr. Warren: Present.

Mr. James Brown: Mr. Weber.

(No response.)

Mr. James Brown: Mr. Whaley.

(No response.)

Mr. James Brown: Mr. Wiess.

Mr. Wiess: Present.

Mr. James Brown: Mr. Williams.

Mr. Williams: Present.

Mr. Hallanan: Mr. Williams, will you please rise?

I desire to present to the Council Mr. C. R. Williams, of Corpus Christi, Texas, president of the National Gasoline Association, who is a successor to Mr. Dunn.

We welcome you to the Council.

(Applause.)

Mr. James Brown: Mr. Wilson.

Mr. Wilson: Present.

Mr. James Brown: Mr. Zook.

(No response.)

Mr. Hallanan: The next order of business is the approval of the minutes of the last meeting.

(A motion was made, seconded and unanimously carried, approving the minutes of the last meeting.)

Mr. Hallanan: So ordered.

The Chairman announces with regret the resignation from the Council of Mr. R. G. van der Woude. I think it is appropriate that Mr. van der Woude's letter of resignation shall be incorporated in the minutes.

I desire to ask the Secretary to read his letter to the Chairman of the Council, and also to read a copy of his letter to the Secretary of the Interior.

Mr. James Brown: The letter to the Chairman of the Council:

"I enclose herewith a copy of my letter to the Secretary of the Interior, which speaks for itself.

"There is little to add to the letter except to say that I greatly regret withdrawing from an organization so ably led by yourself. I want to wish you every possible success in your efforts to continue the cooperation between

Government and industry, which I think we both believe is highly essential.

"You will appreciate that under the circumstances I shall not be in attendance at your meeting of the 10th of July.

"Sincerely yours

R. G. A. van der Woude."

Mr. van der Woude's letter to the Honorable Julius A. Krug, Secretary of the Interior:

"Dear Mr. Krug:

"As from the 1st of July next I am retiring from my position as president of the Shell Union Oil Corporation, and as from that date I shall cease to be a member of the Board of the Shell Union. Inasmuch as this involves my withdrawing from active participation in the oil industry, it seems advisable that I ask you to relieve me of my duties as a member of the National Petroleum Council to which you appointed me.

"I am doing so with great regret because I feel convinced that the National Petroleum Council can be of great service to you in helping to meet some of the problems that will arise.

"As you may know, I have always been an advocate of cooperation and understanding between Government and industry and I would have liked to continue to assist in furthering that objective. Under the circumstances, however, I trust you will appreciate my reasons for asking you to accept my resignation,

though I would like to add that if in any way in the future I can be of assistance, I shall be only too glad to do whatever is in my power.

"Sincerely yours,

"R. G. A. van der Woude."

Mr. Hallanan: If there is no objection, the Chair would like to appoint a committee of three to prepare an appropriate resolution covering Mr. van der Woude's most valuable services to the Council.

I appoint Mr. Jennings, Mr. Dawes, and Mr. Skelly, with the request that during the course of the day they prepare an appropriate resolution to present to the Council for consideration.

The report of the Secretary-Treasurer.

Mr. James Brown: I have this cumulative form up to the end of June.

Since the Council was organized, we have received into the treasury \$52,506.74. I won't burden you with the details of the disbursements, which total some \$20,000, leaving a balance of \$31,539.95 on hand and in the bank.

A copy of the details will be made a part of the minutes, which will be sent to you later.

These contributions received on the 1946 budget were from 71 out of our 82 members, representing about 87 percent of the call on the half-year budget for 1946.

On the current full-year budget, which is a \$50,000 budget, we received contributions from 56 out of our number of 83 members. That, in dollars, aggregates some 67 percent so far collected on the 1947 budget. Rather, that is 67 percent of our members. The actual collections on the 1947 budget are about 59 percent so far.

Mr. Hallanan: Any remarks?

I do want to say to the Council that we are operating on a modest budget and we are keeping well within that budget. There are some members who don't bother with contributions. I want to urge now all of those who are able to do it, to see that you give your financial support to the Council. It isn't fair to 50 or 60 percent of the members of the Council to contribute to the financial support, with the other 40 or 50 percent failing to do so. I think in most instances it is just a matter of not reaching the right man, the man who has to pass on it.

I want to ask all members of the Council here on this occasion to check into the situation so that we may have your support.

Gentlemen, at our last meeting you passed a resolution directing the Chairman to appear before the appropriate committees of the Congress to support the appropriation for the Oil and Gas Division.

At the time the resolution was adopted the appropriation

had entirely been eliminated by the committee of the House of Representatives dealing with the appropriation for the Interior Department. I arranged for appearance before the Senate committee, and I am glad to be able to report to you today that we were able to reinstate the appropriation for the Oil and Gas Division -- not in the original amount asked but in an amount that we think will permit the Division to function.

In connection with my appearance, there were several others who had indicated their desire to appear but the committee was swamped.

I do want to recognize the cooperation in filing of statements by Mr. William R. Boyd, Mr. Russell Brown, Mr. Majewski, and Mr. Gordon Duke and several other members of the Council, Mr. Fayette Dow, Mr. J. Howard Marshall, Mr. Frank M. Porter, and Mr. Clyde G. Morrill.

The matter of the appropriation is now in conference between the Senate and the House, but I am very hopeful that the amount that was provided for in the Senate bill will remain in the bill as finally passed.

So I give that to you as a report of the duty you asked me to discharge in this matter.

I found a very fine response in the Senate committee and an appreciation of the work of the Council in cooperation with the Oil and Gas Division.

In this connection, I also want to state to the Council

that on yesterday, in response to telegraphic invitation, Mr. Eugene Holman and Major Hardey and myself appeared before the House Interstate and Foreign Commerce Committee to discuss the over-all petroleum situation. It was a very satisfactory day. Major Hardey and Mr. Holman did a magnificent job, and I think they won the complete confidence of the committee by their presentation of the facts of the situation which the industry faces.

Copies of the statement of Mr. Holman and copies of my own statement have been furnished you this morning for your information. Major Hardey, unfortunately, did not have a statement prepared that we could furnish to the committee, but I am hopeful that we will have the stenographic transcript, which can be sent out later.

In any event you have with you copies of the statements of Mr. Holman and myself.

I now want to present to you Mr. Max Ball, Director of the Oil and Gas Division, who will talk to us about the problems that he has faced and what he would like to suggest for our consideration today.

Mr. Ball: Mr. Chairman and gentlemen. What I say now is going to be pretty brief. I will have some special things that I will ask you to think about and possibly informally advise me on later in the day, but I think those things should wait until after you have considered your own special business

that is before you.

I want to express my gratitude not only to your chairman but to many of the members of the Council for their very loyal support of the Oil and Gas Division before the committees of Congress.

At the last meeting you will remember I said that whether or not there was an Oil and Gas Division in the next fiscal year depended solely on whether the industry wanted such a division or not, that there was nothing that we could do toward lobbying ourselves back into an appropriation and nothing that I was disposed to try to do.

Since that time your chairman, in accordance with your resolution, has appeared before the committee, and I think that appearance of his before the committee was the least valuable of the things he did, although that was extremely valuable. But he not only appeared before the committee but he went and saw a lot of people -- which is what counts; and other members of this Council went and saw a lot of people -- which is what counts; and members of the industry outside of the Council saw a lot of people. The upshot is, as your chairman has said, the Senate has restored enough funds -- not to enable us to do the kind of job we would like to do, but to enable the Oil and Gas Division to continue in existence and do some sort of a job; not the job you would like to have us do, but some sort of a job, enough of a job to make worth while

continuing the Division, which means continuation of the Council.

Now, the bill is under consideration right now, starting yesterday, and what is happening in conference nobody knows. If the amount restored by the Senate is seriously reduced, then I will feel, and I think you will all feel, that it is useless to try to do the job that should be done or even a part of it, with reduced funds.

If, however, the funds that the Senate put in remain in and it comes out of the conference, then I think we can go ahead and render you and the Government enough service to make it worth while to continue.

You will notice that today you have no report of your Agenda Committee, which means that you have had no request for action from the Oil and Gas Division. There are a number of things that we are going to want advice from this Council on, and we are going to want facts from this Council, but you had so many reports coming up today, and we felt that there would be so much discussion of the supply situation in general that it was better for us to stay out of the way and not load the Council with further matters at this meeting, particularly this being a mid-summer meeting in Washington when nobody feels much disposed to do more than he absolutely has to. So we have had to forego our customary quarterly love feast with your Agenda Committee, and we have nothing new before you for consideration today except, as I say, at the end of your session, or

toward the end of your session, I may ask informally for your views, offhand advice, on one or two special things.

It occurred to me, though, that this Council has accomplished more than some of its members may realize, perhaps more than any of its members may realize. All of you are cognizant, of course, of the reports you submit, and of the vast amount of facts on which you have reported, and I don't see how anybody can help being tremendously impressed by the list of factual reports that are going to be submitted here today. When you add to those, those which have previously been submitted, it makes a very impressive aggregation of factual information, in some cases accompanied by recommendations.

That is all an accumulation of tremendous value, but because of the existence of the Council and of the ability to get in touch with people in the industry because of the existence of the Council, there are, therefore, really creditable to the Council various other things, some direct, some less direct, that I think are worth mentioning.

For one thing, the Council last fall appointed a Committee on Regulations under the Leasing Act on Public Lands, and that committee submitted a report, and that report contained a great many recommendations, and that report was adopted by the Council as the Council's report.

I think it is worth while to report to you what happened after that. What happened after that was that the Leasing Act regulations were modified to meet every one of the recommendations

of that committee except one. As to that one, it was felt by the law officers of the Department that the statute itself forbade going along with the recommendations of the committee.

I don't want to say that the Council deserves all the credit for that. The Rocky Mountain Oil and Gas Association, the Mid Continent Oil and Gas Association both had committees working on the thing, which participated. Various members of the industry came down here and made representations; but, adding the whole thing up, the Leasing Act regulations today are very much more satisfactory from the standpoint of the industry, and I think from the standpoint of the Government, than they were last fall when the committee was created.

Then some of you know, and some of you do not, about the very critical tanker situation that was faced here, with the possibility that a million barrels a day of transportation would go out of service on the 30th of June unless there was an extension of congressional authority. You remember Colonel Syran of the Maritime Commission made a report to us on that at the last meeting.

I think the Council can take a lot of credit to itself from the fact that that million barrels a day of transportation didn't go out of operations on the 30th. There was a lot of hard work done. It is something that will never appear in the Council report or in any of the official proceedings of the Council but, nevertheless, there was a lot of hard work

done and work without which I am sure those tankers would not today be in operation.

There will be comments on some of the more current things. For instance, on this matter of tank car steel, when you come to the report of that committee; and then I hope we can supplement that with a report from one of the Government agencies, that will show that something very tangible and definite was accomplished by the Council committee in that connection.

I am not sure that one of the most valuable services that the Council has rendered has not been the alerting of the public to the facts of the tight situation. There was grave danger so long as nothing was said to the public, that the public -- which may here and there find itself without as easy access to products as it is accustomed to -- would be stunned by that and would raise a tremendous outcry and would get hysterical. I think that the fact that the prospects of the supply situation were discussed here in Council and by members of the Council then with the public, has been of tremendous value in keeping the public, on the one hand, from being caught unaware by such local shortages as may develop, and, on the other hand, from getting hysterical and thinking that the world had come to an end, petroleumwise.

Now, we have had some responsibility ourselves in trying to alert the Government on that situation; and, for that purpose, on Secretary Krug's motion, a meeting of Government officials

at top levels was held here in this room on the 17th of June. You have all seen references to it in the press.

That meeting was called with the thought that that would be just a family gathering among Government officials to inform them of what the situation is and what the prospect might be for the next few months. We had no thought that that meeting was going to get any particular public attention -- which shows how much we underestimate the alertness of the trade press in Washington; not only the trade press but the general press just flocked around like flies and were disposed to make a great deal out of the meeting.

I think all of you as you came in today were given copies of the press statement that we gave out at the end of the meeting, which you will notice, if you read it, was not a statement that would create any wild excitement. In fact, it was a statement that specifically warned against hysteria and over-excitement.

I think the Council -- and this will come up for a lot of discussion later -- has served a very real purpose in the matter of Government supply. That situation is by no means solved, as you will hear later. We still haven't provided either the military services or the civilian government with the supplies that they are going to have to have. But I think they have been supplied with a great deal more than if this Council hadn't existed and if this Council's committee hadn't

done the work that it has done.

I could go on and enumerate quite a number of other things in which the existence of this Council has been of great public value, but I think most of you are familiar with most of the rest of the things; and, what is more important, I don't want to take any more of your time.

Thank you.

Mr. Hallanan: Thank you, Mr. Ball.

Mr. Jennings, the Chair is aware that you have another engagement and we will skip over the regular order of business and, if you desire, we would like at this time to have you present the report of the Committee on Petroleum Transportation Facilities.

Mr. Jennings: Thank you very much, Mr. Chairman.

If it is agreeable, I will do that; or if you would prefer, it can come along in the regular order and I will either be here or somebody else can --

Mr. Hallanan: I know that you have to leave. I think we may as well dispose of this at this time.

Mr. Jennings: I imagine this report has been distributed to everybody.

Mr. Hallanan: It is being distributed.

Mr. Jennings: Your Committee on Petroleum Transportation Facilities was appointed May 13, 1947 and asked to ascertain facts and report to the Council the overall facilities avail-

able for transportation of crude oil and petroleum products and to coordinate the separate findings of the studies now in progress by Transportation Committees authorized at the January Council meeting.

Inasmuch as the five committees on transportation by rail, truck, barge, pipeline and tankers, respectively, have prepared detailed reports in which all available factual data are assembled, this Committee will confine itself to comment on the overall transportation situation and certain aspects of particular fields of petroleum transportation.

The Committee has considered the transportation facilities available only with respect to the petroleum demand as it is today, and without reference to demand as it might be in the event of war, or as it is likely to develop in the future. We have also considered the available facilities in each field of transportation in relation to the economic use of each form, and without reference to the substitutions which can be and are made when one or more forms of transportation are overtaxed.

In general it appears to the Committee that the petroleum transportation systems of the United States are well suited to their purposes, and with some small exceptions, are adequate to meet current transportation requirements. It appears that under the stress of competition and in response to the normal play of economic factors, transportation facilities of the various types required for oil movements have been developed

and integrated into a highly efficient system. Briefly, as to each form of transportation, the situation is as follows:

Pipe Lines:

Pipe line systems vary somewhat from other transportation facilities in that they are fixed as to location and capacity. Generally speaking, present pipe lines in the United States are adequate for the normal movement of crude to the refining centers and the distribution of refined products therefrom. However, there are a few locations such as West Texas where more pipe line capacity is needed. This situation is being corrected just as fast as pumping equipment and pipe can be obtained. There is also a shortage of pipe line capacity from Texas into the Midcontinent area and in a similar way more pipe line deliveries are needed into the vast refining centers of Illinois, Indiana and Ohio. These situations will be taken care of by projects already announced by the industry and now under way.

A similar situation exists in the U. S. gas industry except many new lines are needed to keep up with the increasing demand for gas fuel. This normal expansion was not taken care of during the war, so it will take some time to correct the situation.

Tank Cars:

The previous report as submitted by your subcommittee indicates a shortage of tank cars which will continue until

sufficient steel is made available to the car builders. The need of high pressure cars for the movement of propane and butane is the most critical in the entire tank car picture at the present time, and current indications point to this critical condition continuing throughout the winter of 1947-48. Certain abnormal movements of crude oil and products which will be discontinued when new pipe lines are built tend to accentuate the short tank car position.

Transport Trucks:

Tank trucks are in balance at the present time to meet today's demands. This is due to the fact that the number of tank trucks have been increased about 22-1/2 percent since the end of the war. However, the program for replacements and new equipment has been and will continue to be held up due to the shortage of steel.

Barges:

Present barge equipment is sufficient to meet the current requirements with the exception of movements on the Mississippi and Ohio Rivers, which are abnormally high due in part to pipe line congestion. In this connection it is important that shippers and receivers of petroleum products by barge, particularly those located on the Ohio and Mississippi Rivers, analyze their loading, discharging and receiving facilities, so that tows can be turned around expeditiously. This condition does not obtain at the present time, and while it is felt by the

committee that some of the delay in improving facilities is occasioned by a shortage of steel, it is also highly desirable that the companies should study all phases of their shore equipment so as to increase their efficiency. This will enable the handling of a greater quantity of products with the same number of units and help relieve such shortage as there is.

Tankers:

There is no shortage of tankers. The United States fleet, both Government owned and privately owned, is far in excess of today's needs for ocean movement of petroleum. It is recognized that there will be changes in the ownership of some of the present U. S. Flag tankers, based upon congressional permission, but the world picture will not change due to change in ownership, and as increasing numbers of vessels come from new construction in foreign yards, the total supply of tankers is expected to increase.

In conclusion, it appears that the oil industry and its affiliates are doing everything indicated to relieve the stringency in certain phases of the transportation situation. The bottleneck of steel is one that cannot be overcome immediately, and all steps should be taken to see that this particular material is made available as rapidly as possible.

Mr. Hallanan: Any questions, gentlemen, in connection with this report?

Mr. Ball, do you have a comment to make?

Mr. Ball: No, I haven't. It is a very interesting report.

Mr. Hallanan: The question is, gentlemen, upon the adoption of the report. What is your pleasure?

Mr. Dow.

Mr. Dow: I would like to add, two or three months ago we reported that steel for pressure tank cars would be available only to the extent of 100 cars a month. In the last nine months of this year the situation has been improved to the point that we can say that new tank cars will be built, are being built, at a rate exceeding 300 cars a month and perhaps may reach 400 cars, a greater part of which will be pressure cars.

Mr. Hill: I move the adoption of the report.

(The motion was seconded and unanimously carried.)

Mr. Hallanan: So ordered.

Mr. Jennings, we thank you very much for the splendid report you have given on the tankers.

Mr. Bruce Brown, will you now present to the Council the report of the Committee on Military Aircraft Fuel Productive Capacity?

Mr. Bruce K. Brown: This committee's work is the type that can't be done all at once and involves consulting a great many people, so the report I have here is merely of the nature of a progress report. I should rather imagine that we won't be through with our work by the time of the next Council meeting.

It may take six months or more.

Mr. Hallanan: This is a progress report?

Mr. Bruce K. Brown: Yes.

The Committee has found that there is a close inter-relation between the ability of any specific refinery to produce high octane gasoline and jet fuels. Maximum production of high octane gasoline would cut down or otherwise influence the productive ability for jet fuels (as well as for other products) but since more selective equipment is required for high octane gasoline than for jet fuels and more refineries can produce jet fuels than can produce high octane gasoline it was considered desirable to work out the national potential production on the basis of first assuming maximum production of high octane components, then ascertaining the maximum potential production of jet fuels.

The Committee feels that the demands for both high octane gasoline and jet fuels are apt to be enormous in another national emergency. The Committee heartily endorsed what it understood to be the military policy to design and develop jet engines capable of utilizing fuels of broad boiling range and liberal specifications. The Committee feels that it would be literally impossible to make an over-night conversion of petroleum refining from civilian products to special military products and that the greatest supply safety will lie in a program for diverting (or blending) whatever part of normal

civilian products may be necessary for the servicing of jet-propelled military aircraft. Such a program, in addition to permitting almost instant supply availability (at the expense of civilian and other military products) would have the additional advantage that emergency supplies could be obtained from any area where there was a refinery or products terminal.

Because the aircraft fuel demands in an emergency will be so great and because the jet fuel demand will have to be satisfied in large part by diverting other products the Committee felt, and the Government representatives agreed, that to be of real value to the military - particularly the planning agencies - the Committee should report not only maximum potential availability of high octane gasolines and jet fuels but also the approximate availability from refineries run to satisfy such a demand of other products, military and civilian.

It was agreed that the Committee would defer any consideration of new fuels, new components, or the desirability of installing any special equipment until it had provided government with a report on what could be done with present technologies and in equipment operating or building. It was agreed also that the crude evaluation work being done for the Air Forces by the Bureau of Mines should proceed independently of the work of the Committee on productive capacity.

To aid the work of the Committee, the Chairman of the National Petroleum Council appointed three subcommittees:-

The Subcommittee on Blending High Octane Components;

The Subcommittee on Inquiries; and

The Subcommittee on Product Utilization.

Personnel lists covering the Committee and its subcommittees are appended to this report.

The subcommittees are at work and progress to date may be briefly summarized as follows:

The Subcommittee on Blending High Octane Components headed by Mr. Frame and Mr. Baker met in Washington with representatives of government and reviewed the data available in the files of the Petroleum Administration for War.

It has computed how much high octane of improved specifications could have been made during the first quarter of 1945, at the time of World War II. At that time, we were making about 525,000 barrels a day of the then 100 octane gasoline, but if at that time we had had to make the grade that the military now wants -- at least the Navy now wants -- 115/145, we would have produced only about half that much, 255,000 barrels a day. And they made another informal estimate as to how much of the super-super grade, 130/160, and that would have been approximately 150,000 barrels per day, only about one-quarter of the wartime production.

Having gotten this data by refiner and by refinery, we are going to have our Subcommittee on Inquiries approach each one of the wartime manufacturers, give them the figures that we have,

and request them to estimate what they could produce should another national emergency arise, taking due account of equipment changes the possibilities of rehabilitating equipment and the effect of any newly added or planned productive capacity.

In the meantime, while that work on high octane fuels has been going on, Mr. Taber's subcommittee has been "doping out" a questionnaire that we could ask each other about jet fuels, and their conclusions are these:

It should be assumed that in the event of a national emergency refineries will also have to continue to produce peak quantities of certain other petroleum war products such as butadiene for synthetic rubber, butylene for butadiene, toluol (nitration grade), lubricating oils and wax and certain other war-essential chemicals. These products, important as they are, represent only a small portion of the volume of petroleum products needed and hence the Inquiries as to military aircraft fuels productive capacity should ascertain the maximum potential production of such fuels assuming that these other demands are first met;

The production of high octane aviation gasolines and components should be assumed to take precedence over jet fuels;

The maximum amount of jet fuels producible under these conditions should be ascertained;

The amount of diesel fuel (702-e) producible when the refinery is running for maximum jet fuel should be ascertained; also the amount of diesel fuel when the refinery is running for one-half and one-fourth of its maximum capacity for jet fuel;

The production of other products -- gasoline, kerosene, civilian diesel fuel, heating oil, etc. of specifications equivalent to those prevailing during World War II should be ascertained -- assuming maximum production of high octane gasoline and components and 100 percent, 50 percent and 25 percent of maximum production of jet fuel;

While the information should be separately tabulated, data should also be sought from companies domiciled in the United States with respect to their operations in the Caribbean area.

Finally, since our committee and our subcommittees contain representatives of a great many companies, we thought we would make this as painless as possible by asking ourselves these questions first and try to get data from the companies represented on the committee before we finally put out one questionnaire to industry.

I should imagine that would all take about six months to finish.

Mr. Hallanan: Any questions from Mr. Brown. Thank you very much.

Mr. Bruce K. Brown: Could I have just a minute on something else?

Mr. Hallanan: Surely.

Mr. Bruce K. Brown: Yesterday, the Military Petroleum Advisory Committee -- which was discussed, I understand, in a Council meeting here, the one before last, in which it was decided that it could be informally blessed or at least not condemned, but should not go through the Council -- should be a committee that was of individuals set up by the military and the Oil and Gas Division. We had our first meeting yesterday afternoon over here in the Navy Building. If you will give me a minute, I would like to tell who is on the committee:

Paul G. Benedum, of Hiawatha Oil and Gas Company, Mr. Buchanan of The Texas Company, Mr. DeGolyer, J. Terry Duce, R. G. Follis, Bert Graves, George Wilson, Dene Hodges, Mr. Majewski, Mr. Minckler, Howard Marshall, Major Parten, Mr. Pyles, Stuart Coleman, and myself.

We met with not only the Army-Navy Petroleum Board but with a number of gentlemen with three stars on their collars or epaulets, and they gave us a series of problems. I just wish to say to the Council that none of the problems that they have given us and none of the work that we are going to do has anything whatever to do with the peacetime economy of the United States or with any current military supply problems. They are merely asking us as individuals to give them the best advice we

can for war plants.

Thank you.

Mr. Hallanan: Thank you very much, Mr. Brown.

Mr. Majewski.

Mr. Majewski: Mr. Chairman, I think, in view of what Mr. Brown has just reported on this Military Petroleum Advisory Committee, we might give consideration -- not today, but at the next meeting -- to transferring this activity on military aircraft fuels productive capacity over to that Military Advisory Committee. I think it might be a wise thing to do that, because it is part of the whole program. No action today, but merely --

Mr. Hallanan: This is an interim report and does not require action by the Council at this time. It is only presented for your information.

Mr. Brown has done a magnificent job, and I know that he has given a great deal of time to it. It is a very vital issue, and we are very grateful to him for the information that he has presented to us from this committee.

I know, Mr. Ball, you feel the same way about it. Do you have any further comment to make?

Mr. Ball: I should like to make just two comments: One on the report, which I think is an outstanding example of the kind of analytical thinking that the industry can do, that couldn't be done possibly anywhere but by the industry. There is no place in Government that such a report or study as this

committee has undertaken could be done.

The other matter is, I am glad Bruce Brown brought this up, because I meant to mention it in my earlier remarks and overlooked it. I shall report to you very briefly on this Military Petroleum Advisory Committee.

You may remember that originally at the request of the Army and Navy Petroleum Board we asked the Council to create a Military Petroleum Advisory Committee which would advise with the armed services as to special military problems, many of which, by their nature, would have to be classified as confidential or secret.

The Agenda Committee concluded, and the Council agreed with the Agenda Committee -- and I think properly -- that that couldn't be done by the Council under the Council's authority and its own by-laws because of the fact that that committee, if created, could not report back to the Council as considerable parts of its reports would not be of a nature that could be made public. So the Council recommended that the Oil and Gas Division create the committee independently of the Council and in consultation with and working with the Army and Navy Petroleum Board; we did just that, and created this Military Petroleum Advisory Committee, which serves as an advisory committee to both the Army and Navy Petroleum Board and to the Oil and Gas Division on military problems, primarily to the Army and Navy Petroleum Board.

But if there should arise in the Oil and Gas Division military questions, questions of military supply on which advice is needed, with the consent of the Army and Navy Petroleum Board, those problems will be presented to this committee. That committee met yesterday, held its organization meeting, elected Mr. Bruce K. Brown as chairman and is to meet again tomorrow afternoon to go further into the problems that have been laid before it by the Army and Navy Petroleum Board.

It is inevitable that from time to time some of these problems will be broad enough so that they will get into the field of this Council. If so, material of this Council and its committee will be made full use of.

But, in general, this committee, as Bruce has said, is working on problems of military supply for military emergencies and will not be infringing on the field of the Council.

Mr. Bruce Brown: Mr. Chairman -- that word "supply," Max, I think we should keep out of the discussion. That was the only reason I had for standing up on the subject. I am so afraid that if we are not explicit, someone will think that our committee has some responsibility or some ability to supply the military products -- I mean, right now.

Now, there is an entirely different set of people in the industry itself and an entirely different set of committees in and out of the Council that are concerned with that. We are planning for what will happen if there is another war, and we

must not have any responsibility; we don't want the Army and Navy Petroleum Board to look to us for supplies.

Mr. Hallanan: You want them to look to Colonel Drake.

Mr. Ball: I am very glad that Bruce made that distinction. I hadn't realized that I might be leaving a foggy impression. But this Military Petroleum Advisory Committee has nothing whatever to do with supplying the armed services with petroleum products in peacetime or in war, but merely with advising them as to how certain problems can be met if an emergency should arise.

Mr. Hallanan: Any further questions, gentlemen, in connection with this matter?

At the last meeting of the Council, you were furnished an interim report of the Special Committee on International Standards for Measurement. It had to do with the measurement of aviation gasoline.

Mr. White, who is the chairman of that committee, advises me that the interim report which he submitted to us at the last meeting is the final report of the committee, without change, and it is before you now for your consideration.

The question is upon the adoption of the report. The members of the Council have had access to it since the last meeting. We have additional copies at this time, if you should desire to go over the report again.

Mr. Hill: I move its adoption.

Mr. Hallanan: Mr. Hill moves adoption.

(The motion was seconded, and unanimously carried.)

Mr. Hallanan: So ordered.

Major Hardey, would you now present to the Council the report of your Committee on Petroleum Production and Crude Availability?

Mr. Hardey: Mr. Chairman, subsequent to the last meeting of the Council, you appointed a committee known as Petroleum Production and Crude Availability. Immediately after its appointment, your committee divided itself up into five separate committees and proceeded on a study of crude availability throughout the nation. The five subcommittees were allocated to the old P.A.W. districts, numbered from 1 to 5. The men responsible in each district for compiling the data on their district were: Mr. John Lovejoy of District 1, Mr. George Bays of District 2, Mr. Charles Roeser of District 3, Mr. Dick Shannon of District 4, Mr. Ernie Pyles of California in District 5.

Each subcommittee compiled the data for their respective P.A.W. districts. The subcommittees made their reports prior to this meeting, and the general committee met yesterday morning to assemble and analyze the data and prepare the full report for this meeting. Your Chairman Hallanan has mentioned the fact that I appeared yesterday afternoon before the Interstate and Foreign Commerce Committee of the House. I would like to say

that I did make an appearance there as chairman of this Crude Availability Committee. Because of the fact, however, that I arrived here night before last and didn't have time to prepare a written statement, it was necessary that I appear extemporaneously before the committee. I would like to explain, in the event you do get a transcript of my remarks to the committee yesterday, that necessarily the statements that I made and the remarks that were given the committee were largely of my own thinking and necessarily couldn't be construed as the composite thinking of the Committee on Crude Availability. I would hate to burden them with the responsibility, probably, of some of the remarks that I made before the committee.

Mr. Hallanan, in his usual modesty, didn't tell you, but he, preceding me before the committee, did a remarkably fine job in presenting this whole crude situation before the committee, and my appearance was simply to supplement and add to the remarks that he made, because of the findings that our committee found yesterday morning in compiling our data.

With your permission, I will read the report presented here today.

In order to determine the present status of petroleum production and availability in the United States, subcommittees were appointed to survey the problem by areas. It was decided that the most practical basis to use would be the five regions designated during the war period as P.A.W. districts 1, 2, 3, 4 and 5.

Reports have been received from each of the subcommittees covering current production and availability within these areas. This report represents an analysis and summary of the findings of these groups.

Before discussing the detailed figures for the various areas, the Committee believes it desirable to comment on certain underlying factors which have an important bearing on the overall question of both present and future availability of petroleum and its products.

During 1941, the year prior to the entry of the United States into the war, production of crude petroleum in the United States averaged 3,842,000 barrels per day. At that time the petroleum industry in this country had a reserve capacity to produce under sound conservation methods equal to approximately 1,000,000 barrels per day over and above the requirements of that year. This reserve capacity had been built up by a continued and expanding program of exploration and development.

During the war period the activities of the industry were severely curtailed by restrictions on manpower, materials and funds. As a result of these restrictions it was impossible to carry on the drilling program required by the constantly increasing demands to maintain the same excess reserve capacity that existed at the beginning of the war. It has been estimated that approximately 67,000 wells were not drilled during the past five years that should have been drilled to keep pace

with the rising demands. At the present time, exploration and development activity is still handicapped by a shortage of materials, particularly steel tubular goods.

I would like to tell you in an aside that at the rate of the drilling, the present rate of drilling during 1947, about 38,000 wells will be drilled during 1947. It has been the estimate of some of us that in order to keep pace with demands and keep the proper reserve capacity during 1947, some 46,000 wells should be drilled, and our thinking is that if tubular goods were available, this shortage of 8,000 wells would largely be overcome during the present year, that we attach most of it to the shortage of tubular goods.

Present production of crude petroleum in the United States averages about 5,100,000 barrels daily, almost 1,300,000 barrels or 33 percent higher than in 1941. This large increase in output combined with the above mentioned restrictions over the past five years are important factors that must be recognized in any survey of the current production and availability position.

The Committee also wishes to emphasize, in connection with this problem, the fact that serious technical difficulties are involved in any attempt to accurately measure productive capacity. In addition, productive capacity in the petroleum industry is never a static condition but instead may and does change to a marked degree from month to month. It must be kept

in mind, therefore, in considering the following data that these figures, although representing the best estimates possible, within the limited time, are subject to some variation and will not be applicable to the position in the future.

The following paragraphs summarize the situation in each district as reported by the various subcommittees:

The Subcommittee for District 1 reported that there was no known curtailed production due to transportation difficulties or other causes. The availability of crude petroleum from this area therefore, may be considered as the equal to the current rate of production of approximately 56,000 barrels daily.

A wire which I received from Mr. D. T. Ring, President of Pennsylvania Grade Crude Oil Association, received yesterday afternoon, shows 62,000 barrels anticipated production in the Penn-Grade area, which, however, takes in the district in Ohio and West Virginia not included in District 1, so I just want to recognize the telegram which Mr. Ring sent us, which varies from this figure of 56,100 barrels. It covers a little more area than District 1.

P.A.W. District 2: The Subcommittee for this District reported that present output from all states within the area approximates the maximum efficient rate although the completion of unitization of two fields may make possible some increase in the efficient rate within the next few months. However, for purposes of present availability, the current out-

put within the district of 960,200 barrels daily may be considered as representative.

P.A.W. District 3: The Subcommittee for District 3 reported a total maximum efficient rate of production of crude oil within the area at the present time equal to 3,108,750 barrels per day. Actual production within the area at the present time averages 2,980,000 barrels daily. This would indicate an excess productive capacity of 128,750 barrels daily over and above current withdrawals.

I would say the bulk of that lies in the basin of West Texas. Lacking in either tank car or pipe line outlets, it could be largely cured by the construction of additional pipe lines out of the area, some of which I understand are contemplated.

P.A.W. District 4: The Subcommittee reported that the present daily average production in District 4 equals 190,085 barrels per day and that there is now 36,285 barrels daily of shut-in production, practically all of which is in Wyoming and Colorado.

Mr. Hamon: Major, pardon me a minute. Don't you think it would be well to indicate in your District 3 -- I notice you do in District 4 -- the lack of transportation facilities? Why wouldn't it be equally pertinent to put it in your comment on District 3?

Mr. Hardey: I think we do that in the last paragraph of the report. In a general way, we comment on the lack of tubular

goods and materials.

Mr. Hamon: Well, specifically, you point to District 4 but not to District 3.

Mr. Hardey: I think probably this report might well be supplemented there to the point that the excess productivity capacity of District 3 is caused by a lack of transportation facilities, due to a shortage of steel and tubular goods.

Mr. Wilson: Well, it is shortage of transportation, primarily.

Mr. Hardey: Shortage of transportation.

Mr. Majewski: Doesn't the Jennings Report cover that phase satisfactorily?

Mr. Hardey: It does touch on that subject. He mentioned the fact of lack of pipe line outlet from West Texas.

Mr. Hallanan: I think Mr. Hamon's suggestion was just to harmonize the report.

Mr. Hamon: That was all, since you commented on District 4.

Mr. Hallanan: You might add a sentence, Major; just one sentence.

Mr. Hardey: I think it would be well to supplement the report by including there a sentence saying that this excess productive capacity is caused by lack of proper transportation out of certain areas. We will do that, unless there is some objection.

Going back to District 4: Of this excess productive capacity,

about 20,000 barrels daily is shut-in in the Rangely field in Colorado because of a lack of sufficient pipeline capacity. An additional 10,000 barrels daily represents shut-in production in the Elk Basin field in Wyoming.

In our report, we had no reason for this shut-in of 10,000 barrels in the Elk Basin field, but we must assume that it is also because of a lack of transportation facilities. Mr. Shannon was not able to be here himself, and his report didn't include the reasons for the lack of movement out of Elk Basin.

Mr. Ball: I think it is lack of local refining facilities within reach of the transportation facilities that they have.

Mr. Hardey: If we say "lack of facilities", it will be covered then, Mr. Ball?

Mr. Majewski: A question of market demand.

Mr. Ball: Market demand close at hand.

Mr. Wilson: It is the lack of transportation. I mean, the Chicago area refineries will be tickled to death to get it if they can get pipe lines to do it. It is in the category of West Texas, I believe, and some is moving by tank car.

Mr. Hardey: In connection with this, I was informed by Mr. Shannon in Denver a few days ago, after we submitted this report, that a pipe line might be built out of Rangely field into Salt Lake City, which would alleviate the situation.

I think that is subject to pipe line supply.

Mr. Wilson: As to timing, yes, but it definitely will be

built.

Mr. Hardey: P.A.W. District 5: According to the report from the Subcommittee in District 5, there is at present no excess capacity over and above the current rate of production and, therefore, the present output of approximately 920,000 barrels daily may be considered as the current availability of crude petroleum in that area.

In connection with the District 5 report, I will say it did not touch on availability from the Elk Hill Naval Oil Reserve. We didn't give consideration to that at all.

Mr. Ball: Major, may I interrupt and ask a question there?

This say that there is no excess capacity over and above the current rate of production and therefore the present rate of production may be considered as the current availability. The current rate of production could be above the maximum efficient rate, above what should be the availability. I just wondered if you had explored into that.

Mr. Hardey: We have some, Mr. Ball, and the report showed in detail the studied MER of a good many of those fields. The committee didn't feel it should take upon itself the question of whether or not California was overproducing above MER at this time without a more complete study of its own. We certainly didn't want to come out and publish figures that would openly accuse California of overproducing. So we assume that the 920,000 barrels were being produced within MER.

Mr. Ball: Without any of its members being very sure that that is a sound assumption.

Mr. Hardey: The committee didn't have enough information to make the firm statement that it was overproducing. We made the assumption that the 920,000 barrels were being produced with MER, and that was its availability for District 5.

Summarizing the above data submitted by the various subcommittees the present situation as to crude production and availability appears in the following tabulation:

Availability and Production of Crude Petroleum by P. A. W. District as of June 10, 1947, in barrels per day: District No. 1 -- total available, 56,100; actual production 56,100; no excess productive capacity.

District 2 -- 960,200 barrels total available; actual production, 960,200, and no excess productive capacity.

District 3 -- the total available, 3,108,750 barrels; actual production, 2,980,000 barrels, or an excess productive capacity in District 3 of 128,750 barrels.

In District 4 -- 226,370 barrels available; actual production 190,085 barrels, or an excess productive capacity of 36,285 barrels in District 4.

District 5 -- total available and total actually producing of 920,000 barrels.

The totals available are 5,271,420 barrels; actual production totals, 5,106,385; or a total excess productive capacity of 165,035.

Mr. Ball: May I interrupt with another question, Major, just for curiosity?

Mr. Hardey: Yes, sir.

Mr. Ball: How does your total available in District No. 3 compare with the new figure just arrived at by the Texas Railroad Commission?

Mr. Hardey: Well, we had available their report on MER in Texas; but, of course, it being only a part of District 3, only that part of it could be considered in the report.

Mr. Ball: Yours is pretty well in harmony with it?

Mr. Hardey: It would. As a matter of fact, we gave full consideration to the MER study made by the Texas Railroad Commission in compiling this data.

Mr. Wilson: You say this figure is in harmony with the figures later set by the Railroad Commission?

Mr. Hardey: By the Texas Railroad Commission.

Mr. Wilson: Of course, that will cut down certain fields, as I understand it, above their present rate, but it still leaves this amount as shut-in?

Mr. Hardey: Yes, sir; it had been estimated prior to that study, West Texas has 200,000 barrels of excess producing capacity, but that has been cut down approximately 128,000 barrels; something over 100,000 barrels in the permanent basin. But we did give full consideration to the MER study conducted by the Texas Railroad Commission.

The above figures cover crude petroleum only. With regard to the production and availability of other petroleum liquids such as natural gasoline and allied products -- and we mean by that, of course, cycle products, butane, propane, and distillates -- the figures on current production of these products represent the best measure obtainable by this committee of present availability. These production figures are as follows:

Availability of Natural Gasoline and Allied Products,
Based on Current Production, in barrels daily, by P.A.W. Districts:

District No. 1, 10,300; District No. 2, 48,780; District No. 3, 264,700; District No. 4, 3,200; District No. 5, 67,200; total throughout the nation, 394,180.

I would like to say, in an aside there, the survey indicates that quite a few cycling products are contemplated, will be built in the various states. A large amount of money has been allocated for the building of these plants when, as and if steel and tubular goods might become available; and I personally think that quite a few of these are being held up, maybe to await the present legislation in Congress on possible amendment to the Natural Gas Act.

I think some of these projects are being held up because of uncertainty of the passing of the Rees-Day bill. I think with the passing of this amendment to the Natural Gas Act, it will have the effect of speeding up quite a bit of construction among both; not so much recycling as much as natural gasoline plants. I personally think also that maybe the filing of the suit

by the Department of Justice in the Cotton Valley case might act as a deterrent in the construction of some recycling plants down in our country.

Those are factors which will determine the expansion of construction in some LPG products.

In conclusion, the Committee wishes to emphasize again the fact that the above figures must be limited to the situation as it exists today and in no sense represent future productive capacity or availability which is dependent upon the extent and results of exploration and development work now in progress or not yet started. It is the considered opinion of this Committee that the productive capacity of both crude petroleum and other liquid hydrocarbons can be increased immediately by a substantial volume if the necessary supplies of steel products, particularly tubular goods, can be made available to the industry so that additional wells can be drilled in producing areas -- that is, improvement areas -- and other necessary facilities can be constructed. And in "other necessary facilities", we mean recycling plants, natural gasoline plants, and so forth.

While the above information reflects the considered opinion of the Committee and those in the industry who cooperated, we wish to acknowledge the fine cooperation of the various state regulatory bodies and the Interstate Oil Compact Commission in making data available.

I would like to submit the report, Mr. Chairman, on behalf of the Committee.

Mr. Hallanan: Thank you, Mr. Hardey.

Any comments or questions?

Mr. Hamon: Mr. Chairman, I am a member of the committee, and I didn't appear here yesterday, so I certainly have my nerve to suggest some changes in the report, but I do suggest that he put in about District 3.

As you know, the shortage of oil wells all over the country is being discussed, as well as up on the Hill. Mr. Holman and yourself, in a speech -- and I believe it was in Minneapolis -- both called attention to the fact that the industry is practically the only industry that is producing more oil now than it was during the war period. This report will undoubtedly be given wide publicity and, before we release it, I question if it is not our duty to the public and to the industry to point out -- it is a brief report, but it doesn't point up either the job that the industry is doing, with enough force in its concluding paragraph; nor do I think that it points up the difficulties sufficiently.

I grant you that it mentions them in a calm, dispassionate tone, but my suggestion would be that the report be held up until this afternoon and that it be strengthened in those two regards.

Mr. Hallanan: Jake, you want to get a little more "umph";

is that what you mean?

Mr. Hamon: That is it exactly, Mr. Chairman. As I say, you and General Holman have been doing some very fine work in your speeches, but, unfortunately, this report will go out, and it doesn't show or doesn't really state some of the reasons for the lack of any additional availability of crude oil in language that the layman will read. That is my point.

I wonder if we couldn't, with the Major's consent, perhaps dramatize that a little bit before we release the report.

Mr. Hallanan: Well, you are a member of the committee and you and Major Hardey have complete control of the situation.

Mr. Wilson: I am a good deal in sympathy with the comments that Jake has just made. I wonder if possibly the matter might not be handled more simply by putting the "umph" into the press release that goes along with it, which is what the papers will mainly do.

Mr. Hallanan: The press release is supposed to be predicated upon the text of the report.

Mr. Wilson: Yes, but even though it is, put a little more "umph" in it and do the job of making it thoroughly understandable to the public in that press release. That is just an alternative suggestion that if there hasn't been a press release, that may be the simplest thing to do, to put it in there. With that suggestion, I leave it entirely to Major Hardey.

Mr. Hallanan: There is one practical difficulty about that, Dr. Wilson. At the conclusion of this meeting, these newspaper

people will swoop down in here, and we will have no press release available. They will have the text of the report itself from which they will write their own version. So I think whatever "umph" is put into it, should be put into it before it goes out in the text.

Major, are you agreeable to --

Mr. Hardey: I think probably Mr. Hamon's suggestion is very good. We wanted to state the facts as you would understand them here and didn't give proper consideration probably to the necessity of calling the public's attention to the question forcibly, but I would be glad to have two or three members of the committee sit down with me and write a paragraph that will really have some "umph" in it, if you would like.

Mr. Hallanan: May I suggest that during the noon recess you and such other members of the committee, including Mr. Russell Brown, Mr. Hamon, get together on it.

Mr. Hardey: And I will resubmit it after lunch.

Mr. Majewski: Mr. Chairman, I don't know what the word "umph" means.

Mr. Jacobsen: Sex appeal.

Mr. Majewski: I think you have all the facts here. I think the American public can read them. It says here that prior to the war you had a production of three million nine. You had an excess capacity of over a million barrels; that you now used up that excess capacity and that the demand is here

and that if you didn't have a shortage of materials, you might produce more. What else do you want to tell the public? I hope you don't want to tell the public that you will reduce the price of crude oil, or something. The "umph" might lead one to believe that.

I think that if you start going out with a lot of "umph" you might get criticized. Maybe the price of crude will increase anyhow. Why the "umph"? I object to any "umph", because the American people are intelligent enough to read these facts. Even Mary's oldest boy understands it.

Mr. Hamon: Barney, I notice that when you are discussing a marketing problem, you don't hesitate to put in as much color as is necessary -- one; and, two, you don't intend to misrepresent anything. I think merely that the terrific difficulty -- of which you are totally unaware now--(laughter)--of getting material should be emphasized in this report.

Mr. Majewski: We produce a little oil, and we are having a helluva time getting materials. Can you spare some, Jake?

Mr. Hallanan: Barney, you will have opportunity to give further consideration to the "umph", after the chairman and the other members of the committee revise the report. That will come up on the matter of adoption.

With that understanding, we will pass over any further consideration of Major Hardey's report.

Dr. Wilson, may I call upon you now to present the report

of the Committee on Petroleum Refining Capacity?

Mr. Wilson: I regret that the copy of the report which was sent out in advance to the Council contained a number of minor errors. Some were purely typographical, and others resulted from the fact that we made some last-minute changes by telephone and they are not quite coherent as they were presented.

Skipping certain parts of the report, including the first paragraph, the copy you are getting now is revised and we believe accurate.

After lengthy discussion of all points the Subcommittee arrived at several unanimous conclusions and recommendations which may be summarized as follows:

1. That the assignment and responsibility of this Committee was clearly that of obtaining for, and reporting to, the Council factual data on the refining capacity of the country. The Committee should not recommend measures to balance supply with demand, nor should it analyze, except in a general way, the problems of production or transportation which will be reported on by other committees.

2. That to be fully useful, this refining capacity information should be supplied by PAW districts and cover not only present capacity but also estimated future capacity by quarters for the next twelve months, in the light of the scheduled completion dates of projects under way.

It was therefore determined that the information to be develop-

ed should indicate the refining capacity of the country as of March 31 last and also the amount of new crude running capacity expected to be completed, including additions to present plants, for each of the five quarters ending June 30, 1948.

The work of securing this information was much simplified and expedited by the fact that the API had recently engaged in bringing its refinery capacity information up to date and making a survey of the construction plans of a large cross section of the industry. The Committee also knew that the Bureau of Mines was making a resurvey of refining capacity as of January 1 of this year.

You may not be aware of the fact that the discrepancy between the latest published Bureau of Mines data and this information and also discrepancies in the information of certain trade publications, amounted to over 400,000 barrels a day, which is normally a very important figure. I believe we have brought together the figures.

Because of substantial discrepancies which appeared to exist between the recent survey by the API and the most recent figures available from the Bureau, the Chairman of the Committee requested, through the Director of the Bureau of Mines, and received the Bureau's cooperation in checking the information refinery by refinery. In general, the figures shown on Table I and those which will later be released by the Bureau agree, except that the Bureau's survey will reflect capacities as of

January 1, 1947, whereas those of your Subcommittee are as of March 31, 1947, and later dates. Also the Bureau had not yet completed its tabulation of District V plants when the figures for the other districts were checked.

A meeting of the main Committee was called on June 24, with a membership as listed.

The Committee discussed and approved the figures submitted by Mr. Van Covern in Table I below. In presenting these refining capacity figures the Committee desires to emphasize the fact that no single figure can accurately represent crude running capacity, because the latter varies over a rather wide range with change in the type of crude run and the yields of different products. The figures have been submitted as representing the average annual rate anticipated for refinery equipment installed on a given date, allowing for normal shut-down periods, and assuming normal yields from the crudes usually run.

I may say parenthetically that this check revealed that some of the companies are not as careful as they should be in giving out these figures. The same company has given out, probably from different individuals or different departments, rather widely different figures for crude capacity for two different agencies within a month, at the same time, and when pressed for an explanation of the fact that their runs for the past six months had substantially exceeded the reported capacity,

for

they admitted the capacity figures were wrong. They couldn't do much else. I do think that all of us should give a little more attention to the accuracy of the figures that we do report, especially in times like these, when accuracy is important.

Shut-down capacity does not include dismantled capacity, but is supposed to represent capacity which is operable. However, equipment which has been shut down will usually require time for repairs before it can be put into operation.

There was considerable discussion of whether or not any useful purpose would be served by attempting to make a segregation between skimming plants and plants which are equipped with both skimming and cracking facilities. It was decided that the information would not be of particular value because in many so-called "complete" refineries the skimming and cracking is not in balance, and many skimming plants are closely affiliated with cracking operations in nearby refineries so that they can either sell gasoline for blending purposes or buy cracked stocks for blending with their own gasoline. As a result, many skimming plants are today operating successfully and contributing substantially to the fuel oil as well as to the gasoline demand.

Then we give Table I, as of March 31, 1947, the capacity figures, which are by districts and which total 5,255,847 barrels in operating refineries; 332,555 barrels in shut-down

refineries, or a total of 5,588,402 barrels, as of that date.

It is noted that on March 31, about 175,000 barrels per day of capacity was shut down on account of strikes. This is included under column 2, and it is stated how it is divided.

For the week ended March 29, refinery runs were 4,843,000 barrels daily representing an operating rate of 86.7 percent based on the total capacity shown above. This is fairly typical of prewar operating percentages, though much higher in barrels run.

Since the meeting of this Committee was held on June 24 accurate figures as of June 30 were not available. However taking into account projected expansion of refinery capacity during the second quarter of this year, and making use of latest information as to refineries shut down due to strikes, the corresponding capacity figures as of June 30 are as follows -- there, again, we give the June 30 figures by districts with the total of 5,420,547 in operating refineries; 227,555 in shutdown refineries; and a total of 5,648,102 barrels per day of capacity, which is substantially larger than any of the figures which have been published, but we believe it is as accurate as such figures can be, taking a great deal of care in getting them together.

For the three weeks ended June 21, refinery runs averaged 5,130,000 per day. This represents an operating rate of 91 percent based upon the total capacity shown in the above table. On June 30th about 85,000 b/d of refinery capacity was still shut down

due to strikes.

These figures clearly show that from an over-all viewpoint there is no current shortage of refining facilities in this country. However, some of the shutdown capacity is badly located from a transportation viewpoint, or partially or wholly obsolete, or unable to handle the high-sulfur crudes which are available. That is another factor with regard to these West Texas and Wyoming crudes that aren't today being produced. Not only is not there enough transportation to get them but there is only a limited number of refineries able to handle those sulfur products. The shut-in crude is not as desirable as the general run of crude.

Mr. Hardey: Mr. Shannon mentioned that in his report.

Mr. Wilson: Also an operating rate of 91 percent leaves very little flexibility or factor of safety. It tends to aggravate the shortage of transportation, and makes any major refinery strikes highly unfortunate for the industry and the consuming public. Between January 1 and June 15 strikes have shut down refineries that otherwise would have run 13,100,000 barrels of crude. That figure is today over 14,000,000 barrels of crude. That is for the first half of the year. The figure is over 14,000,000 barrels. I don't have an exact figure for it. In addition, the Texas City disaster has prevented the refineries at that place from processing 1,900,000 barrels of crude that would have been normally run.

Then, we have a footnote indicating the products, in barrels and gallons, that would have been made but for that shutdown.

The Committee also availed itself of the work earlier done by the API in making a survey of a new refinery construction. All refiners not included in that survey were asked to submit the same kind of information. Replies were received from companies owning slightly more than 90 percent of the total capacity shown in Table I including all those known to be expanding their capacity.

In other words, these figures are not quite as complete as the refinery capacity figures. We believe they include practically all the significant figures. You will see by quarters and by districts the amount of expansion coming into the picture.

We possibly should have a total in the righthand column. You might wish to jot it down. I just totaled them, for the districts. The total for District 1, for the five quarters shown is 1500 barrels a day; District 2, 96,500 barrels per day; District 3, 60,500 barrels per day; District 4, 9,000 barrels per day; District 5, 96,000, of which 45,000 is replacement as indicated in the footnote. In other words, it will not result in a net increase to that amount in District 5.

Mr. Pogue: What is that total?

Mr. Wilson: I didn't total the totals.

Mr. Pogue: 220,000 plus 45,000 -- eliminating the 45,000.

Mr. Wilson: It is 265,000 --

Mr. Hallanan: Minus 45,000.

Mr. Wilson: But the net increase will be 45,000 less than that.

This amount of increased capacity seems rather small in view of the large sums which are currently being expended in refinery construction. Much of this refinery construction is, however, of a character which improves gasoline yield and quality or permits the handling of a wider variety of crudes without substantially increasing crude running capacity. It is also probable that the figures for expansion of capacity do not include many minor projects involving bottle-neck elimination which will in the aggregate result in a substantial increase in capacity. Refinery capacity expansion has also been held back by materials shortages and by the general governmental policy both during and since the war of refusing or discouraging building projects whose primary purpose was that of expanding refining capacity.

You have all run up against the proposition that the Housing Administration said that where brick and mortar are concerned, you shouldn't build new capacity for the sake of new capacity, because we already have a lot of idle capacity.

While accurate figures are not yet available, it is known that a number of major refinery expansion projects already

approved will come into operation after July 1, 1948, the exact date depending upon the availability of steel and other materials.

I might say off the record --

(Discussion off the record.)

Mr. Holliday: Bob, I wonder whether these discrepancies in the estimate of refining capacity may be due to the record change in yield that has been going on? This tremendous increase in demand for distillates I think has increased refining capacity by 25 percent.

Mr. Wilson: Well, there is, nevertheless, sloppy work being done. I think there were four fairly large refineries in the country which ran substantially more in the first six months than their estimated capacity. There were also cases where the same company had given different figures to the Bureau of Mines and the API.

Mr. Holliday: My observation is that the Planning Department in the last six months has been continually increasing its capacity without making any changes in equipment.

Mr. Wilson: Due to making more fuel.

Mr. Holliday: Yes.

Mr. Wilson: I think that is true.

Mr. Hallanan: Any questions of Dr. Wilson?

Mr. Majewski: I don't have any questions. I would like to make some comments. I hesitate to question the Doctor's fine report..

We have here three good reports, factual reports. They state the case truly. Yet there is a shortage in the Middle West. We now have nothing to correlate all of this information on transportation, refining capacity, crude oil availability, with that demand. When does the Interstate Oil Compact meet?

Mr. Pogue: Early in August.

Mr. Majewski: In August, then, there will be available a demand picture prepared by that advisory committee to the Interstate Oil Compact. I hope that the Council or Mr. Ball distributes to the industry and the Council members that demand report so that that can be correlated with these reports.

I understand it is a little touchy to talk about a supply and demand picture, but there are men in this room who hesitate to express what is on their minds.

I am looking at one of them -- two of them; I looked quickly, too. (Laughter.)

There is a practice in the industry -- and I recognize that you possibly can't do a thing about it -- but it concerns the supply of crude oil to independent refiners. For example, in Michigan there was at one time a great desire to sell independent refiners crude oil produced by these companies. They had no other market for it, and they welcomed the opportunity to sell this crude oil to so-called independent refiners.

They have been supplying this crude oil for many years. With the scarcity of products in the Middle West -- and we

call it "scarcity" advisedly, but really we are short -- these companies say, since July 1, "We can't sell you this crude oil any more so that you can process it and sell to your customers; but we will give it to you if you will become custom refiners. You process it and give us the products back." Quite a stake. You know what I mean. My inadequacy causes me to use that word.

Maybe there will be more hearings on the Hill about the fact that we are changing some of their practices. Now, if there is enough crude -- and you don't doubt that; the availability is there -- we might get the crude oil if we get the transportation facilities built. We might get the crude oil up to these refineries economically, but at the moment this disturbance of old relationships I think is an unwise one for our public relations program and we do have a fine public relations program which we can easily upset by monkeying around with small amounts of crude oil, because it is our desire -- and I am a salesman; I use every means to get more stuff so I can peddle it -- to improve our position so that the boss thinks well of me. I don't know whether he thinks so well of me today, but he thinks well of me if I get the stuff and sell it.

Maybe the tops of these organizations -- and I am pointing my finger at no one -- ought to look into this so-called processing on a custom basis. It is a bad practice, and it ought to be stopped, in my opinion.

I have opened the door for you fellows who gave me a "belly-ache" last night telling me about it. Maybe you want to talk more about it. I have said all I am going to say about it, and I don't think you can do anything about it, Walter, excepting that these gentlemen whom I lovingly and affectionately address as "Brass Hats" ought to look into the damned thing. It smells.

Mr. Wilson: It might be added, Barney, that the bulk of us are not the only ones that have had crude taken away from them.

Mr. Majewski: I realize that, Bob. This little practice of a small amount of crude is causing a helluva stench.

Mr. Wilson: I think the only coordination that can properly be made under the provisions that the Agenda Committee feels are necessary to take, will have to be made by Max Ball and, I presume, with these figures he will be able to get out a report summarizing the situation. In fact, he has already reported to Congress information based largely on this information that was placed in his hands.

Mr. Blaustein: Will Mr. Ball get up a statement which will show what the needed refining capacity is?

Your report states no current shortage, yet you go on to tell about the need for additional refinery building. That opens the question of what extent additional refining capacity is necessary. I take it this committee feels it should not get up that type of information, but I should think that Mr.

Ball would be able to make that available.

Mr. Ball: With our present staff, Mr. Blaustein, I don't see how we could tackle a thing of that sort. I don't think we have the knowledge. I think that knowledge resides in the industry and not in the Government.

Mr. Blaustein: Is there something that this committee, then, could properly, from the viewpoint of the Agenda Committee, make available to the members? I can't reconcile the two things -- one, a statement in this report that all the current needs are available in refining capacity. Then, it goes on to tell about the need of extra refining capacity and the need of making materials available for it. Now, I think, in order to make this report really serve its purpose, there ought to be some indication as to the amount of refining capacity that it is believed is necessary as of certain dates, perhaps.

Now, in the viewpoint of the Agenda Committee, can this committee make such information available?

Mr. Hill: I thank you for the compliment implied in the question. I don't see where that is the concern of the Government or of the committee or of the Council. That is a matter, in our free enterprise system, that is the concern of every unit in the industry as to whether they have enough production or enough reserves or enough transportation or enough refinery capacity.

It seems to me that you can deduce from these reports every

legitimate conclusion that either the Government or any individual might want. The fact that somebody else has more refining capacity than is being used wouldn't, for instance, deter me or you from acquiring a refinery if we could at a proper price in the future. We all expect to grow and expand; and why anybody, Government or industry, should desire to have any more than these reports indicate, I don't know, and certainly it is not the proper function of this Council to engage in any such speculation, because what would be the result? Suppose we should make a deliberate finding here as a body that we should not engage in any more refinery construction? That would be an agreement in restraint of trade.

In other words, I don't like the imputation that the Agenda Committee is placing any restraint upon any discussion or conclusions or anything else. The Attorney General of the United States, in response to a letter from the Secretary of the Interior, has said that you cannot do any programming and you cannot do this, that or the other thing; and the Agenda Committee only comes into being, in accordance with the Attorney General's letter, when a written communication is addressed to the Council, which the Agenda Committee tries to see whether or not conforms with the law as expressed by the chief law enforcement officer of the country.

So, my feeble answer to that very important question is that I don't think that this Council has or should have the

function of trying to reach any final conclusions about having achieved either a construction maturity or any other sort of completion of the work of this highly competitive industry.

Mr. Blaustein: I am not suggesting that there be anything done which in any manner would imply restraint of trade; but it seems to me that the data which we get together is supposed to ultimately serve a purpose of giving us the facts. All that I am wondering is whether the facts as to how much refining capacity may be necessary, can't be given out without its in any way being an obstruction to the industry or an indication of restraint of trade.

In other words, I feel this: I think there is a shortage of products in certain places.

Coming back now to what Barney Majewski said, I think in some place -- I don't know where the place is, whether it is here or where -- there ought to be some reconciliation, some facts that will permit a reconciliation of the market demands, of the production, refinery capacity, transportation, and so forth. I think that is necessary from the standpoint of our country, that someplace there be that sort of information made available. It may not be the province of this committee. I don't know that. But I am wondering how that kind of information might be and where it might be at some time made available. That is the objective. It seems to me there isn't much use getting a lot of material together unless you have your eye on

the squirrel, unless you know your direction, and it seems to me that that is the direction we ought to take.

Mr. Wilson: Mr. Blaustein, you are raising really the essential question on which we have had quite a lot of discussion, whether we shouldn't try to estimate future demands; and it seems to me there is just one answer to that. With this group, representing the entire industry, if we try to estimate future demand, one of two things will happen: We will either underestimate or overestimate, maybe we will be close and maybe we will be far away.

Now, look at the position you put yourself in. If you underestimate, the Attorney General is going to say, "These people tried to create an economy of scarcity and discourage building because they underestimated demand."

If we overestimate the prospective demand, they are going to say we tried to do something that would force prices up by indicating there was going to be a shortage.

Now, you can't be right in your forecast of future estimates and it is therefore highly dangerous to try to say what they are.

Now, there is, of course, a group of economists, advisory to the Interstate Compact Advisory Commission, that does attempt to do that, and I presume they will continue to attempt to do that at the specific request and by the specific appointment of the Interstate Compact Commission. That is your general advice on that, isn't it, George?

Mr. Majewski: Mr. Chairman, I didn't ask that we do it. I suggested that the chairman or the head of the Oil and Gas Division, when the demand reports are available from the Interstate Oil Compact Advisory Committee, distribute the same to the industry widely, to the members of this Council. It has these reports now. They are a matter of record. You are adopting them. We can make conjectures that are legal conjectures; we don't have to.

All I am asking is that the director of the Oil and Gas Division make the conjectures of his own volition -- as he suggested he would do last April.

Now, getting back to my dear friend George, it is funny when we get into refining or marketing how different it is. What George has said certainly doesn't apply to crude oil, because you have delved into that. What a difference! You touch on market demand for crude oil and the availability, but when you come to the product demand, you all want to duck it. What is the reason for it? I mean, you are touching on market demand in the crude oil availability report. Why don't we deal with it, then, as forthrightly on products? George, I was asking that question of you.

Mr. Wilson: Don't try to forecast market demand for crude. This committee hasn't attempted to do that. They simply stated how much is being produced today and sold.

Mr. Majewski: That is right, but that is the demand.

Mr. Wilson: That is the present demand.

Mr. Hardey: No, no.

Mr. Majewski: They say we are producing our capacity in these four areas.

Mr. Hardey: The committee deliberately left off any mention of marketing demand.

Mr. Majewski: I know. The citizen can read what you mean. Your thinking is different on crude oil than on products, and I am wondering why. I know what you mean, Bob, but I just want to point out that we think differently when we talk about crude.

Mr. Hallanan: Barney, these committee reports, of course, are supposed to be on a factual basis.

Mr. Majewski: I stated they were most honest and I love them all.

Mr. Hallanan: The question is upon the adoption of the report of the Special Committee on Petroleum and Refinery Capacity, which Dr. Wilson reported.

Mr. Jacobsen: I move its adoption.

(The motion was seconded, and unanimously carried.)

Mr. Hallanan: So ordered.

Mr. Hill: Mr. Chairman, I would like to say something for the record here in reply to Barney, who is my dear and beloved friend and I am his lawyer.

These particular reports which I think are as fine a group of reports as I have ever heard this Council receive or the

P.A.W. receive during the war years, are the result of a very careful study for a period of many hours, in consultation with Mr. Ball and Mr. Majewski. And as you will recall, Barney, we went over for a day and a night how we could lawfully achieve the factual results from which reasonable deductions might be drawn. And so this isn't news to you. The procedure that the Council has followed and the reports developed, that these facts might be studied in connection with the report to the Interstate Compact Committee of that advisory group.

I think maybe some members of the Council may not know that fact; but the scarcity that you speak of in the Middle West and your earnest attempt to get as much light as possible upon its causes and its remedies was the primary occasion for these studies, reports upon which have just been made. That is a fact, isn't it, Barney?

Mr. Majewski: Yes. We have gone a long way and you and your Agenda Committee are to be congratulated. I was just trying to get clear in my own mind why we talked so freely about crude and when Jake brings up refining capacity we get touchy. But, George, you have done a fine job in going a long way; as my lawyer, you were rather reticent in the beginning, but you are to be congratulated.

Mr. Hill: Thank you, Barney.

(Laughter.)

Mr. Dawes: You refer to these reports as being factual

reports and then say to put "umph" into them. Still being factual, I would like to get your opinion, as my lawyer.

Mr. Hill: And I am not familiar with the meaning of that term. I am like Barney; I have to refer you to the specialist in the field of activity, Jacobsen.

(Laughter.)

Mr. Jacobsen: I think George got the wrong answer. I am not a specialist of "umph". It is the other Jake.

Mr. Hill: I accept the amendment.

(Laughter.)

Mr. Hallanan: Gentlemen, some days ago there was forwarded to you a report of the committee headed by Mr. Claude Parsons, dealing with the subject of petroleum material requirements by the oil and gas industry. It is a very comprehensive report and one that I think is entitled to our very serious consideration. All of these problems which we are discussing here seem to get back to the basic problem of shortages in materials.

I had hoped that Mr. Parsons could be here today to formally present the report to the committee with any additional recommendations that he had to make. I do have a letter from him indicating the reason he is not able to get here, and I am going to ask the Secretary to read the letter and then to give the committee the high spots of the material shortage committee report.

Mr. James Brown: Letter dated at Houston, Texas, July 5, 1947, addressed to the Chairman.

"In reply to your telegram, important matters are coming up next week which will prevent my being in Washington. However, I am asking Mr. George W. Young of New York, Chairman of our sub-committee on materials for foreign operations of the petroleum industry to attend the July 9th discussion of the pipe export figures as suggested by Mr. Russell Brown of the I.P.A.

"I agree with Mr. Brown that it would be desirable to have all the exact figures necessary for a detailed quantitative analysis of the export of casing. The best source of such information is the applications for export licenses in the Department of Commerce but Mr. Brown's I.P.A. economist has investigated that source and reports that it is impossible to determine what percent of pipe exports is casing.

"If specific export figures on casing are not available, we might as well consider all types of pipe used in petroleum operations because they are all critical and in short supply. The I.P.A. economist did get the export license tonnage figures on all pipe (including casing) exported for petroleum uses, and our materials committee considered them along with export percentage figures from individual pipe manufacturers and as a group. As an index to the proportion of casing used we also considered comparison of the domestic and foreign footage drilled, wells completed and rigs in operation. This five-way consideration resulted as follows:

Foreign
% of Total.

Manufacturers percentage of pipe production

exported for petroleum 6.35%

I.P.A. pipe export license tonnage figures com-

pared with total production of pipe 6%

Footage drilled (1946): Domestic 97,400,000 ft;)
Foreign, 7,600,000 ft.) 7%

Wells completed (1946): Domestic 32,672;)
Foreign 2,112) 6%

Drilling rigs in operation as of 1/1/'47:

Domestic 3827;)
Foreign 263) 7%

"The only discrepancy I know of is in the I.P.A.'s original comparison of the pipe export license tonnage figures with the total production of oil country tubular goods. As the latter does not include any pipe other than seamless casing, drill pipe and tubing, and as the export license figures include other types of pipe, a percentage comparison would be erroneous. I pointed this out to the I.P.A. materials committee and they requested their economist in Washington to investigate further. Later they received a reply that the export license tonnage figures could not be segregated as to oil country tubular goods.

"To me, the important points relative to export are: (1) it has been definitely established by the I.P.A., tonnage figures

that critical pipe of various types needed for our own petroleum operators at home and abroad has been going to foreign governments in which Americans have little, if any, petroleum interest; (2) our government has been using directives and priorities to send pipe to those foreign governments; and (3) our government has been hampering American petroleum operators abroad through excessive red tape.

"The Materials Committee of the Council, in its report of June 6th took a definite stand relative to those three points as well as others relating to the materials situation and I recommend that the Council give due consideration thereto."

-- signed Claude P. Parsons, chairman of the committee.

Mr. Hallanan: In order to familiarize the Council with the report of this committee, I am going to ask Mr. Brown to read the high spots of it, along with the recommendations, and to avoid the reading of the details, which we have before you in the report in your hands.

Mr. James Brown: The report of the Special Committee on Materials:

"This is the third report of the committee. The original report dated November 11, 1946, and the revised report of January 11, 1947, listed the current shortages, showed the causes of the shortages and made recommendations applicable thereto.

"Both reports stated that strikes were the main cause of shortage in 1946; and that other causes were OPA price controls,

priorities, directives, public works, and export of industrial materials to foreign governments by Treasury Department directives and UNRRA in the form of relief.

"During the two-months period between the two reports the supply of materials began to improve after the suspension of OPA price controls. At the time the revised report was being prepared there was another industry-wide coal strike which threatened further shut-downs of steel mills and other plants, and the general outlook for strikes in other basic industries for 1947 was not very good.

"Since then, the coal strike was halted and there has been a decreasing tendency to call other major strikes while Congress was deliberating on new labor legislation.

"Due to the suspension of price controls and to fewer strikes during the first quarter of 1947, the supply of materials for drilling operations improved to a point where a new record was established over the first quarter of any previous year for wells completed and footage drilled.

"Although the supply of materials increased considerably during the first quarter, an unexpected and greatly increased demand for petroleum products by the public is causing an unprecedented and increasing demand for materials for all types of petroleum operations.

"The impact of this unexpected and unprecedented demand upon the supply of materials provides the main basis for consideration

of the committee at this time.

"In the previous report of January 11, 1947, the committee expressed a belief that there was adequate manufacturing (subject to rehabilitation of facilities badly worn during the war) to supply the demand of the petroleum industry, provided there were no interferences by strikes, stoppages or slow-downs. It did not take into account any record-breaking demand in 1947, because none of the regular forecasts indicated such a demand. The feeling was based on these facts:

"1. Manufacturing capacity had been adequate to produce all the materials needed for drilling operations in 1941, a record-breaking year of 33,332 wells completed, as compared with 30,852 in 1946.

"2. Manufacturing capacity was adequate to produce all the materials needed for the additional refineries, pipe lines and operating supplies constructed during the war.

"The fact that a new record was made in the number of wells completed and in footage drilled in the first quarter of 1947, over the first quarter of any previous year (see figures on page 8), together with the fact that the record was made without the benefit of an adequate working inventory, shows that manufacturing capacity of materials used in drilling operations was adequate as of January 11th and that the production and

supply was greater than ever before.

"That does not mean that petroleum operators did not encounter great difficulty in obtaining the needed materials during the first quarter. They were seriously handicapped by a lack of proper working inventory caused by heavy withdrawals during the coal, steel and other strikes in 1946. Lack of adequate working inventory caused confusion in ordering and in distribution.

"With regard to the increased demand, this committee is not a source of statistics or forecasts regarding petroleum operations, but referring to statistics from the regular sources the following picture is presented as having a bearing on the outlook for increased demand for materials:

"Last year's statistical forecasts of 1947 demand for petroleum products are falling short of actual demand. In the first quarter there was a new all-time record for U.S. demand for crude oil and natural gasoline for both domestic use and export, of 5,842,000 bbls. daily; an increase of 11.2 percent over first quarter 1946, 43.6 percent over first quarter 1941, and 4.6 percent over the war time peak in the first quarter 1945. According to the Economics Committee of the Interstate Compact Commission, the forecast for the first quarter 1948 is in excess of 6,000,000 bbls, daily. In addition there is a considerable increase in public demand for natural gas.

"That outlook means that the petroleum industry and all of

manufacturers and suppliers of materials face a tremendous job. It also means that in the interest of the American people, the government should recognize and take action on the recommendations in this report relating to conditions which affect the accomplishment of that job and which are under the control of the government.

"The unprecedented demand of the American people for more petroleum products means more wells, more crude oil, more re-cycling plants, more pipe lines, more pump stations, more refineries, more tank cars and tank trucks and more products pipe lines. Unprecedented demand for natural gas means more pipe lines and more pump stations.

"Although refinery operations were greatly expanded during the war, and rehabilitation has improved some of the older plants that were badly worn during the war, there are several materials (listed herein) that are still seriously short and are hampering operations; and it is expected that the increasing demand for petroleum products will soon over-tax the present total refining capacity and additional capacity will be necessary.

"Distribution operations are handicapped mainly by a lack of railroad tank cars and highway tank trucks.

"New conservation regulations for the production of oil in Texas increase the demand for compressors and other materials for re-cycling and repressuring purposes.

"The demand for large diameter line pipe and equipment for pump stations for natural gas is several times greater than in 1941.

"The following materials are still far short of demand:"

We are skipping the details with relation to the various materials and going to page 11, the recommendations.

"To provide a general basis for balancing supply with demand in all critical materials used in operations of the American petroleum industry at home and abroad, the committee submits the following:

"The committee re-affirms the unfulfilled recommendations in its previous report of January 11, 1947, and urges the government to take prompt action thereon so that a continuing maximum supply of materials for petroleum operations can be expected from existing manufacturing facilities, and so that the atmosphere can be cleared for rehabilitation, replacement or expansion which may be needed. Those recommendations are as follows:

"That the government -

"Discontinue priorities.

"Discontinue purchases and directives (UNNRA, Lend-Lease, State Department, Treasury Department) diverting scarce industrial materials to foreign governments.

"Defer construction of Public Works until the present shortages are relieved.

"Revise export regulations (OIT, Dept. of Commerce) which

seriously interfere with the American petroleum industry in carrying on its needed operations abroad. Present controls are primarily for control of exporters who ship materials abroad for resale, whereas the American petroleum operator uses it for American petroleum operations abroad. The petroleum industry should be permitted to use the general export license procedure and regulations for exporting the materials needed in its foreign operations in countries classified by the government as 'K' countries.

"Provides effective legislation which will give labor the protection and rights to which it is entitled, consistent with the rights of others, and at the same time encourages productivity instead of strikes, stoppages and slow-downs resulting from existing legislation which creates scarcities which cause increased costs and prices which cause more strikes. Production is the only answer to lower living costs and adequate materials.

"The government should cooperate in the export situation by discontinuing purchases of critical industrial materials for foreign governments and by revamping its export regulations and controls which, in actual practice by the bureaus which handle them give preference to the requirements of foreign governments and shows a lack of understanding of the needs of the American petroleum industry in its effort to serve the interests of the American people. Foreign government requirements should come only after our own basic needs for materials are met.

The present government practice of preferentially handling foreign government requirements of critical materials through directives, priorities, and export controls, weakens our own position in world markets.

In view of the new, unexpected and unprecedented demand, and the present forecast of continued upward trend, it is apparent that we are reaching a point where consideration should be given to any possible needs for expanded manufacturing facilities for increasing the production of bottleneck items of materials used in petroleum operations. However, little consideration of expansion could reasonably be expected of a manufacturer when production from his present facilities is faced with a continuous expectancy of strikes, stoppages and slow-downs, in his own plants or in plants which supply his raw materials or components. Therefore, in order to assure the maximum supply from existing facilities, and to clear the atmosphere for expansions where necessary, the committee feels that the government should follow the above recommendations.

"While the whole petroleum industry is affected by the shortages listed herein, special commendation is due the manufacturers for producing critical materials under many difficulties; to the operator who doggedly searches for new oil despite the confusion; and to the American operator who develops American interests abroad despite excessive governmental red-tape concerning the relatively small quantity of materials he needs.

"The committee feels that economic balance cannot be attained until all recommendations previously made and now reaffirmed in this report are complied with by the government; and, in addition, the trend and impact of the unprecedented demand of the public for petroleum products and natural gas should be fully weighted by the manufacturers.

"The report is respectfully submitted to the Council in the interest of the petroleum industry and the American people it serves." -- Signed Claude P. Parsons, Chairman.

Mr. Hallanan: Mr. Mayes, I wonder if you, as a representative of the Commerce Department, would care to comment on the report which has just been submitted.

Mr. Mayes: Mr. Chairman, I didn't come prepared to discuss this. I will think about it, but what particular question --

Mr. Hallanan: I had no particular question. I thought perhaps you might want to comment on the report, specifically or generally, from the standpoint of the recommendations; or, if you would care later this afternoon to make any comment, we would be glad to hold time open for you then.

Mr. Mayes: Very well. Let me take a look at it at lunch time and talk about it this afternoon.

Mr. Majewski: One thing you can say about the report, Walt, is that this one is full of "umph". You don't have to add any more.

Mr. Hallanan: Is there any representative of the State

Department here in the room at this time?

(No response.)

Mr. Hallanan: Gentlemen, what is your pleasure about the report?

Mr. Majewski: I move the adoption of the report; along with the others that it be given the widest publicity, continuously, until these recommendations are achieved.

Mr. Hallanan: Is there a second?

Mr. Wilson: I second the motion.

Mr. Hallanan: All in favor --

Mr. Blaustein: Mr. Chairman, would it have been proper for our committee to have consulted with the Commerce Department and the State Department with respect to some of these recommendations? I realize the difficulty with the priorities to foreign governments; and yet this report does take a rather isolationist position. I mean, there are certain requirements with respect to foreign governments that may be necessary for other reasons. I am wondering whether, in getting up a report of this sort, it would have been proper for our committee to have consulted with either the State Department or Commerce Department.

Mr. Hallanan: Well, Mr. Blaustein, this committee had several sessions here in Washington. While I could not say definitely, I take it that in the course of their discussions they did confer with a governmental representative, and these

recommendations arise after those conferences.

Mr. Blaustein: I see.

Mr. Hallanan: You have heard the motion. All in favor of the adoption -- Mr. Ball?

Mr. Ball: I am not a member of the Council, and I don't know that I should make suggestions, but it seems to me, since some of these recommendations are a bit drastic with regard to Government action, that action on the report might well wait until we do hear from the Department of Commerce this afternoon and perhaps from the Department of State.

Mr. Majewski: I have no objection to doing that, but if this report was fully read, it shows that there has been dereliction on the part of Government agencies. For example, on page 6, if you will read, "Under the existing system of export controls, the American operator is definitely handicapped in the procurement of his supplies and materials for his operations abroad. The relief gotten last January, whereby most materials required by American operators were placed on an 'ex quota' basis, was of short duration. During a recent transfer of authority from CPA to OIT this arrangement was lost. Many applications are cut from 50 to 90 percent and are often denied 100 percent. This results in many appeals and a pyramiding, from quarter to quarter, of quantities of materials absolutely required.

"Another serious complaint is that quarterly applications are

acted upon too late to be of much use in the quarter involved. The quarter is nearly over before the applications come back and at that time several months have been lost in the procurement of the materials. The operators are fearful of placing their orders before they receive their returned license because of the fact that most of the items are drastically cut and consequently the efforts used in the anticipation of requirements are to a large extent nullified. The administration of these applications today is worse than at any time and besides involving as much paper work as ever, it results in costly delays."

On the basis of those two paragraphs, I would say that the Government has been on notice and it has been derelict, I don't care which department it is. So I don't mind waiting until this afternoon, but this is the kind of stuff that will arouse Government departments that are stagnant and dead.

Mr. Ball: All I am suggesting, Mr. Majewski, is that the accused be given a chance to be heard.

Mr. Majewski: I am in favor of that, always, as you know, Max; but you know this report has been out for five weeks. It seems to me if you raised hell about me for five weeks, I would have had an answer ready for you today, if I were guiltless.

Mr. Hallanan: Mr. Majewski, then you withdraw your motion pending --

Mr. Majewski: No, I would like to leave it pending.

Mr. Hallanan: That is what I say, "pending."

Mr. Majewski: Yes, pending, until we hear those accused.

Mr. Wilson: We might suggest from this part of the room that you would have had an answer whether or not you were guilty, Mr. Barney.

(Laughter.)

Mr. Majewski: You have something there.

Mr. Blaustein: And you would have it in five minutes, not five weeks.

Mr. R. B. Brown: Mr. Chairman, in view of the letter, it may be of some help or some interest, since that letter was written we had hoped to have Mr. Parsons in here because of the difficulty of reconciling certain figures, so that we can sit down with the steel industry and work it out.

Mr. Hallanan: That is the reason I had asked --

Mr. R. B. Brown: We didn't get that done. We have had some conferences with them, and I have some figures on the production and the export of steel here as the result of that conference, that we have independently made, if it would be of any interest.

Mr. Hallanan: I think it would be, and we will be glad to have you present it at this time, Mr. Brown.

Mr. R. B. Brown: I have here the production in exports of steel, tubular goods used by the petroleum industry. We have

checked with the industry and the steel industry, as carefully as we can, although we recognize that there are certain classifications that are difficult to reconcile.

It may be of interest to show the production, pre-war, of oil country goods. Pre-war, they were producing 988,000 net tons. In 1946, they were producing 1,096,000 net tons. That is an increase of 11 percent over the pre-war.

Mr. McConnell, who is vice president of the National Tube Company, made an address recently in which he attempted to picture what he classified as a typical post-war year in their production. In that he says that a typical post-war year they should be producing 1,500,000 tons of oil country goods.

Now, in that we have tried to divide the classification of production of line pipe. For instance, we have taken that out of this. Pre-war, they were producing 466,000 tons. In 1946, an average month, it was 973,000, or 109 percent over the pre-war, as against Mr. McConnell's projection of eight hundred sixty two as typical post-war, which would be an eighty five percent increase over the pre-war tonnage. The total production of oil country goods and line pipe would be 1,454,000 in the pre-war period of 1935 to 1939; the 1946 production of 2,069,000; a typical post-war year of 2,362,000, which indicates that they intend, according to Mr. McConnell's projection, to increase their production very materially.

The other point that we wanted to make some comment on was

the export of oil country goods and oil pipe lines. Pre-war we were exporting 64,337 tons. In 1946, we exported 179,781 tons. In 1947, exports indicate 340,000. So the exports continue to increase very materially.

Those were some figures that we had hoped to reconcile with Mr. Parsons'.

Mr. Ball: May we have a copy of those?

Mr. R. B. Brown: Yes, I shall be glad to furnish them.

Mr. Hardey: Mr. Chairman, I would like to clarify a side remark that I made when I read my report. It may be in error.

I think I made the statement that study revealed we were 8,000 wells short on projected drilling this year to meet anticipated demand. What I meant to say was this: 38,000 wells that we see possibly can be drilled this year, which should be 46,000. The 46,000 was in order to keep pace with anticipated market demand and not to meet market demand. In other words, if the proper proportion of increase is followed, the 46,000 wells should be drilled.

Mr. Hallanan: I think that was clear in your original statement.

Mr. Hardey: I am afraid I made the remark that it was necessary that we have 46,000 wells to meet the demand. What I meant to say was, in order to keep pace with the trend of increased demand. I would like to clarify that in the record, please.

Mr. Hallanan: Yes.

Gentlemen, you now have a very interesting and comprehensive report of a special committee of the Council that was appointed to give us the data on petroleum tanker transportation.

Tanker transportation, as you know, has been a very alive and acute problem that the industry has had to deal with recently in Congress. This report which has been submitted by Mr. Patterson, the chairman of the committee, gives just about everything that we could look for or ask for to show what our position is with respect to tanker transportation. It has been placed in your hands previously. Mr. Patterson is not here today to present it, but it is before you now for your consideration and discussion and action.

Are there any comments in connection with the report?

Mr. Jacobsen: It is a purely factual report. I move its adoption.

Mr. Pogue: I second the motion.

(The motion was unanimously carried.)

Mr. Hallanan: So ordered.

Gentlemen, I desire to present Captain Finney, who is a member of the Committee on Petroleum Pipeline Transportation and who will present the report of that committee in the absence of Mr. Graves, the chairman.

Mr. Finney: Mr. Chairman and gentlemen. The Committee on Petroleum Pipeline Transportation was authorized by the National

Petroleum Council on January 21, 1947 with instructions to make factual studies of the Nation's petroleum pipe line transportation from the standpoint of its adequacy to meet National Defense and other emergency needs.

Mr. B. I. Graves was chosen as chairman and I am acting in his absence as vice-chairman.

We had our organization meeting here in Washington on April 9, at which time the responsibilities and activities of the committee were discussed and subcommittees were selected to collect data and prepare reports on pipeline systems within the United States. It was decided to handle the study by P.A.W. areas and the following men were appointed chairmen of the various districts: For No. 1, W. C. Kinsolving; for Nos. 2 and 4, Bruce Clardy and A. N. Horne; No. 3, L. H. True. For District 5, Sydney Johnson.

In addition to these subcommittees, whose activities were to cover refined products and crude oil pipe lines, another subcommittee was appointed to prepare similar data on the gas lines for the entire United States, the chairman of same to be Mr. E. Buddrus.

The chairmen of the subcommittees proceeded immediately to contact the various pipe line companies requesting factual data on existing lines together with outline maps showing sizes, routes and station locations. Full cooperation has been received from the chairmen of the subcommittees who are compiling

the data for their respective districts. When the final reports are completed, they will be submitted to Mr. B. Brewster Jennings, Chairman of the Committee on Petroleum Transportation Facilities, for ultimate presentation to the National Petroleum Council at Washington.

The following pages in our progress report review the various districts, but I believe that Mr. Jennings has very properly summarized it already here this morning and I would only repeat his statement that the existing systems, together with those new projects and improvements that have been announced are adequate, generally speaking.

All of this work has been slowed up, as everyone knows, by the slowness in obtaining material, but we hope that condition will continue to improve.

Thank you.

Mr. Hallanan: Captain Finney, do you wish to add anything with reference to the particular middle district that has been the subject here of some discussion as to additional pipe line facilities?

Mr. Finney: No, I do not think so. I think our summary statement that Mr. Jennings gave, that the new projects announced, the work under way will take care of the situation just as soon as they can get the pipe and equipment.

Mr. Hallanan: Any questions that any member of the Council would like to ask Captain Finney, or any comments in connection

with this report?

(No response.)

Mr. Hallanan: Thank you very much, Captain.

The matter is now before the Council for action.

Mr. Hardey: I move the adoption of the report.

Mr. Hill: I second the motion.

Mr. Ball: May I add that there are references here to a further report on gas systems which will be submitted by Mr. Buddrus and detailed reports from your subcommittee chairmen. I just want to be sure that those get to the Council and to the OGD in the course of time. The fact that Mr. Jennings' committee has submitted a report I hope is not going to preclude us from getting these detailed reports when they come in.

Mr. Hallanan: Major Hardey has moved the adoption of the report of the Special Committee on Petroleum Pipeline Transportation.

(The motion, having been duly seconded, was unanimously carried.)

Mr. Hallanan: So ordered.

The next report, gentlemen, for consideration, is the report of the Committee on Petroleum Tank Car Steel Requirements. In the absence of Mr. Adams, the Secretary will read the report, and copies will be distributed.

Mr. James Brown: The report of the Committee on Petroleum Tank Car Steel Requirements:

"The National Petroleum Council's Committee on Petroleum Tank Car Steel Requirements met, pursuant to call of the Vice Chairman, Mr. C. E. Musgrave, in Room 6071, New Interior Building, at 10:00 AM, June 4. A quorum was present. Mr. C. D. Fentress of the Oil and Gas Division attended the morning session and Mr. Max W. Ball, Director of the Oil and Gas Division attended the afternoon session. Mr. James V. Brown, Secretary-Treasurer of the National Petroleum Council was present the entire day. All three of these gentlemen made beneficial suggestions and recommendations."-- I am glad to hear that.

"After considering the report of April 4 of the Committee on Petroleum Rail Transportation, of which Mr. Fayette B. Dow is Chairman, and other facts available, the Committee finds that there is an immediate need for steel to construct 4,000 high pressure tank cars for the transportation of liquefied petroleum gases and 7,500 Class 103 tank cars for the movement of other grades of petroleum and petroleum products.

"These additional high pressure cars are required to transport LPG for essential domestic and industrial uses. The Class 103 tank cars are required to replace cars that are worn out and to meet the expanding needs of the petroleum industry for additional transportation to supply increasing civilian and industrial requirements. Unless steps are taken immediately to provide steel to construct 900 petroleum tank cars per month, (the capacity of the builders), the existing serious shortage

of transportation needed for the distribution of petroleum and petroleum products will soon present a crisis of considerable magnitude.

"In the past winter a shortage of high pressure cars for the movement of liquefied petroleum gases, as most every one knows, was so acute as to cause many people to suffer. Valuable petroleum products were wasted as well as a production loss of other essential commodities. Moreover, a shortage of standard tank cars now exists which, unless improved, will make the burning oil situation extremely serious during the coming winter. Unless the production of tank cars is greatly accelerated conditions will be much more worse during the winter 1947-48 than heretofore experienced, resulting in proper criticism of the Government and the petroleum industry for not taking steps to do everything humanly possible to make available the needed tank cars.

"In order to utilize the available tank car building facilities it is necessary that 18,000 tons of steel per month be allocated for the construction of tank cars, which steel must reach the car builders at a uniform rate as to plate, sheet, bars, castings and other classes of material. This 18,000 tons includes that now being allocated and received by the car builders for the construction of new tank cars.

"After full discussion of the problem and due deliberation the Committee adopted the following resolution:

Resolved, that it is the recommendation of this Committee that 18,000 tons of steel per month be allocated to the car building companies for the construction of tank cars to handle petroleum and its products until the car supply is in balance with the demand.

"The Committee recognized that the petroleum industry was not adequately represented on the Joint Conference of representatives of the car builders, railroads, steel industry and equipment suppliers with representatives of the Office of Defense Transportation acting in an advisory capacity, and after considerable discussion adopted the following resolution:

Resolved, that the Chairman of this Committee be authorized to nominate not more than five members of this Committee to represent the petroleum industry on the Joint Conference of the car builders, railroads, steel industry and equipment suppliers with a representative of the Oil and Gas Division acting in an advisory capacity.

"The Committee arranged to invite representatives of other Government agencies to meet with the Committee June 5th at 10:00 AM. Thereupon, the Committee adjourned to reconvene at 9:30 AM. June 5th. The Committee met at 9:30 AM. June 5th and the Chairman announced the appointment of the following members of the Committee to be recommended as representatives to sit in the conference created to obtain steel to construct necessary

rolling equipment.

"B. C. Graves, Chairman; P. G. Anderson, Paul J. Bond, H. E. Coyl, C. F. Dowd.

"At 10:00 AM, the following gentlemen met with the Committee: M. G. Lassek, Army-Navy Petroleum Board; A. L. Heimer, Transportation Division, War Department; W. E. Gannon, Federal Bureau of Supply, Treasury Department; Robert Glenn, Office of Defense Transportation; Porter L. Howard, Office of Defense Transportation.

"In the general discussion the inadequacy of the available tank car supply to meet present demands or to meet an emergency was analyzed. It was conservatively estimated that 30,000 tank cars would be retired from service in the next five years and that unless immediate steps were taken to provide steel for a prompt and orderly construction of tank cars a situation extremely difficult of correcting (because of limited car building capacity) would soon develop.

"After acquainting all those present with existing conditions, it was decided that a committee be appointed to consult with Colonel J. M. Johnson to the end that he would be made aware of the critical situation developing and secure his support in any efforts he might make to secure adequate steel for the construction of tank cars. The committee selected to represent the petroleum industry in the conference to secure steel for railroad rolling stock was requested to meet with

Colonel Johnson at 4:00 o'clock in the afternoon and to report back the result of such conference.

"The meeting was held with Colonel Johnson and there were also present Messrs. Arthur H. Gass, Robert L. Glenn and Porter L. Howard of his staff. Colonel Johnson heard the report and told the Committee that he was aware of the essential need of tank cars, not only to meet requirements of our domestic economy but to meet the needs of any emergency and that he would do what he could with the influence and power he had, to direct steel to the car building companies for the purpose required. The Committee was unanimous in its reaction that Colonel Johnson was properly impressed and would act promptly and constructively.

"The sub-committee reported the result of this conference to the Committee as a whole and the meeting then adjourned." --
Signed by K. S. Adams and the members of his committee.

Later, Mr. Ball transmitted to our office a copy of a letter that he received as Director of the Oil and Gas Division, from J. M. Johnson, Director of the Office of Defense Transportation. I have been asked to read it. Mr. Ball is here; this letter, addressed to him, says:

"Since your visit here on June 5 with the Subcommittee of the Petroleum Tank Car Steel Requirements Committee of the National Petroleum Council and following receipt of your explanatory letter of June 9, my staff has been looking into the problem of raising tank car production both in the high pressure and low

pressure types, to maximum levels.

"We are optimistic that material progress can be made in stepping up tank car production if our present success in improving the supply of steel plates for the tank car builders can be continued. To this end, we have called a meeting of our industry advisory committee on distribution of steel for freight cars here on July 8, at which the subject of tank car steel will be discussed fully.

"As a result of this meeting, we hope to obtain commitments particularly for steel plates which will permit increased production of tank cars. I will advise you of our progress in this connection." -- Signed J. M. Johnson, Director.

Mr. Hallanan: Mr. Ball wants to comment.

Mr. Ball: I just want to say that all of the force and persuasiveness of such a committee as this doesn't appear in a mimeographed report which gets into your hands.

I went with the subcommittee down to see Colonel Johnson and the subcommittee made a very forceful and very persuasive presentation of the need for more steel for tank cars.

I repeated this before the Wolverton Committee the other day. At the end of that session, Mr. Graves, the chairman of the subcommittee, said: "Now, Colonel Johnson, I don't know whether we have presented this as completely and forcibly as we should." Colonel Johnson said, "Well, if you had made it one bit worse, I would have put my head down here on my desk and

burst out weeping."

I hope this afternoon that either Mr. Porter Howard or Mr. Glenn of O.D.T. will be here to bring us down to date on this situation. I don't think either of them is here now. Is either Mr. Glenn or Mr. Howard in the room?

(No response.)

Mr. Ball: They promised me they would be here today, and I think they will be here this afternoon and they can bring us down to date on what the situation now looks like.

Mr. Hallanan: The questions is upon the adoption of the report, gentlemen. What is your pleasure?

A Voice: I move that it be adopted.

(The motion was seconded.)

Mr. Hallanan: It has been moved and seconded --

Mr. Majewski: In one report we say there should be no allocation, and then we have another report in which we say there should be. We ought to be consistent. The Materials Committee report says, no priorities, no allocations, take off the restrictions, and we will do the job. And we get a report on petroleum tank car steel requirements, and we adopt a resolution, a report, that says "We want an allocation of 18,000 tons." I call your attention to the inconsistency.

Mr. Hallanan: I don't think so. I think, if you will read more carefully the report --

Mr. Majewski: I read it. That is why I am making the state-

ment.

Mr. Hallanan: -- you will find the priorities referred to in the Parsons' report relate to exports of materials.

Mr. Majewski: What is the difference?

Mr. Hallanan: Well, I think there is a tremendous difference. There is no conflict, as I see it, between these two reports.

Mr. Majewski: I just call your attention to the reports. In one we say no allocations under any consideration, and in another one we make a definite recommendation.

Mr. Ball: I think there is this distinction, Barney. The allocations referred to in this report that we have just had are purely voluntary allocations. They are allocations made by the steel industry and not by the Government, which I think is a very different thing.

Mr. Majewski: That is a good answer. That one, I will accept.

(Laughter.)

Mr. Hallanan: Are you ready for the question?

(The motion was unanimously carried.)

Mr. Hallanan: So ordered.

I will declare a recess of the Council until 2:15 p.m.

(Whereupon, at 12:30 p.m., the Council recessed until 2:15 p.m., of the same day.)

END
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UNITED STATES OF AMERICA
DEPARTMENT OF THE INTERIOR

MEETING OF THE NATIONAL PETROLEUM COUNCIL

Department of the Interior Building

Washington, D. C.

July 10, 1947 2

(AFTERNOON SESSION)

WARD & PAUL

(ELECTROREPORTER, INC.)

OFFICIAL REPORTERS

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Reviewer R.L. Green

Date 8/27/52

From the Files of the
National Petroleum Council

Record: Council Meeting (Transcript) AFTERNOON SESSION

Date of Record: July 10, 1947

Report adopted at meeting of (Date) _____

Statement or Speech at meeting of (Date) _____

EXCERPTS "relative to exploration, production, refining, transportation marketing, or pricing of petroleum and its products outside the United States."

	<u>Exploration</u>	<u>Production</u>	<u>Refining</u>	<u>Trans.</u>	<u>Marketing</u>	<u>Pricing</u>
Pages	_____	_____	_____	<u>110</u>	<u>151-153</u>	_____
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	<u>Other</u>				
Pages	<u>165-172</u>	<u>(Foreign export control - McIntyre)</u>			
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Excerpts pertain solely to petroleum outside the United States - in the rest of the world - in any foreign country and abroad. Excerpts do not include any matter dealing with petroleum inside the United States.

A F T E R N O O N S E S S I O N

Mr. Hallanan: Gentlemen, the Council will be in order.

One of the members of the Council is President of the Oil Well Drilling Contractors Association of America, J. E. Warren, of Midland, Texas. Mr. Warren has just come from a meeting of his executive committee in Shreveport. I think it would be interesting for him to tell us any message he has to present from his associates.

Mr. Warren.

Mr. Warren: Gentlemen, I told Mr. Hallanan last night that the Building Contractors Association Directors' meeting was checking the availability of drilling to take care of any extra drilling that might be needed. Currently, there is about a hundred million feet of holes being drilled, a mere twenty per cent of cable tools, the other eighty per cent were rotary tools. The best check on drilling tools is about 1850 rigs currently running and making holes, which was equal to our war peak. These rigs are making about twenty per cent more holes than they were during the war. There is about a thousand idle rigs.

So from the standpoint of equipment and personnel, the drilling industry could take care of any increase, if the casing and tubing were available.

Mr. Hallanan: Thank you very much, Mr. Warren.

Mr. Russell B. Brown: Could you furnish the casing if you

get the contract?

Mr. Warren: Yes.

Mr. Hallanan: We have just received since the noon recess a copy of the report of Mr. H.A. Gilbert, Chairman of the Special Committee on Petroleum Barge Transportation. It didn't reach us in time to be mimeographed for distribution, but in as much as it is a part of the general transportation problem which we have been asked to report upon, I think that Mr. Gilbert's report should be presented to the Council at this time and later you will be furnished with copies of it for your own file.

Mr. Secretary, will you read the report?

Mr. Brown: (Reading) The Report of the Committee on Barge Transportation.

The following report has been prepared in compliance with the request of the National Petroleum Council to make factual studies of the petroleum barging position in the Inland Waterways east of the Rocky Mountains.

Since the Petroleum Industry Barge Committee ceased functioning with the termination of the war, there has been no industry organization to maintain statistical records of the Inland Waterway fleets. However, in the past several years, the United States Coast Guard has prepared annually a complete list of inspected tank vessels, as all vessels carrying inflammable products must be inspected annually. These lists can

be considered accurate. The last list was published July 1, 1946 and has been used as the basis for this study which has been divided into three areas of operations, as follows:

One, the Mississippi River System, including the Gulf Intra-Coastal Canal; two, the East Coast, including New York State Barge Canal, and three, the Great Lakes.

On the Mississippi River System, all tank barges operating on the Mississippi River System, as of July 1, 1946, have been tabulated on Table 1, according to the year built. This shows that they were a total of one thousand three hundred and fifty-three tank barges in operation, with total capacity of nine million, nine hundred twenty thousand barrels. In order to estimate the need of additional ones since July 1, 1946, a canvas was made of a number of shipyards to determine the number of barges completed and orders booked up to the date of this report. The committee concluded that the net additions, after allowing for retirements, exceed one million barrels of barge capacity, or somewhat more than ten per cent increase over July 1, 1946.

The survey also indicates that towing power already built or under construction is keeping pace with the increasing barge tonnage. It has also been found that there is a marked trend toward larger sized barges and greater horsepower into boats which will result in generally larger and more efficient tows being operated.

It also appears that terminal facilities have not been improved in efficiency consistent with the trend toward larger oil tows, some of which will carry as much as 130,000 barrels per train. It is estimated that twenty per cent to thirty per cent of round trip time is consumed in port. In spite of additions to the fleet, there is a substantial shortage of barge capacity at the present time due to the demand for long-haul barge movements from the Gulf area, which started in the summer of 1946 and has increased substantially this year.

Dealing with the East Coast equipment, a summary of dumb barge and self-propelled barge equipment, trading in the East Coast area and the New York State Barge Canal, appears on Table 2 herewith attached. This tabulation is broken down between self-propelled tankers and non-self-propelled barges and indicates the position as of July 1, 1946, as compared with the present date.

The number of units increased from 440 in 1946, to 466 in 1947, with an increase in overall capacity of 11.1 per cent. Here, too, as in the Mississippi area, the trend is obviously toward substantially larger carrying capacity per unit. At the present time, new equipment seems to be keeping pace with prevailing demand. The general fleet appears adequate to perform industry requirements, although there is little or no surplus in this area.

The larger, self-propelled equipment is generally utilized on

short coast-wise hauls from tanker-receiving terminals to smaller barge distribution terminals. Although some such equipment is employed in the New York State Barge Canal, the larger dumb barge predominates in that area. There is apparently adequate towing power in this area, with a substantial portion of this demand being drawn from the general towing industry.

Dealing with the Great Lakes, a list of the American Flag tanker fleet operating on the Great Lakes as of July 1, 1946, appears on Table 3. This list excludes the so-called transit equipment which generally operates on the New York State Barge Canal, or a short coastwise trade, but is capable of and at times does operate on the Great Lakes. Such vessels are included in Table 2. Table 3 also shows the changes that have been made in this fleet since July 1, 1946, or will shortly be made, so that as of the present date the fleet can be regarded as consisting of 17 tankers, all self-propelled, having a total capacity of approximately 175,000 barrels. The fleet appears to be adequate for present industry requirements, especially since frequent shortages of products and strikes at Great Lakes Refineries this year have permitted some American vessels to carry cargoes for Canadian shippers between Canadian Ports to greater extent than is normal. The balance of the report is made up of statistical tables.

Mr. Hallanan: Gentlemen, this report will be sent to you.

In the meantime, what is your pleasure?

Mr. Jacobsen: I move its adoption.

(The motion was seconded and unanimously carried.)

Mr. Hallahan: So ordered.

Authorization was given for the appointment of quite a number of special committees. I think these reports which we have received today indicate the tremendous amount of work that has been applied in research and in assembling the data that have gone into the conclusions and recommendations submitted to the Council. It seems to me that it is a very striking illustration of the opportunity that has been given for service to the Government and in providing data and information which the Government could not get in any other way.

Perhaps the most difficult one of these assignments was that which was given to Colonel Drake as Chairman of the Special Committee on Military and Government Supplies. That is the most acute situation with which we are called upon to deal. I know that Colonel Drake and his associates have spent a great deal of time and have had many conferences with representatives of the Army and Navy as to their requirements, and other Government representatives.

Colonel Drake, if it now suits you, I think we would be very glad to have your report.

Colonel Drake: Mr. Chairman and gentlemen:

This subject upon which I am now about to give you a report is to my mind one of greatest concern to the industry.

In order to bring you up to date on what the committee has endeavored to do, I will summarize it as follows:

At the last meeting of the Council, this Committee on Military Requirements, as well as on the requirements of the Bureau of Federal Supply, was appointed and immediately a subcommittee, consisting of Mr. H. W. Page, Chairman, Russell B. Brown and Fayette B. Dow, went to work and held many, many conferences with representatives of the United States Government, the Bureau of Federal Supply and the Army and Navy. What they tried to do was to put into summarized form a statement showing exactly where the Government stood with regard to its petroleum requirements.

You will recall that early in June a report was sent out to all of you, which gave a resume of the condition existing at that time. I have now a brief report to read, which will cover the period from approximately June 2 to date, and then after I read this report, copies of which are now being distributed, I would like to discuss it with you in the hope that something concrete may come from it.

Does everybody have a copy of this report that has been given out? I will not read all of it, but I will just hit the high spots.

In the first place I will say this report represents a supplementary report of June 2, and was prepared for the purpose of bringing down to date the factual information. Then I go

on to state while there have been a number of minor revisions such as normally occur from day to day, there have been only two major changes in the overall requirements estimates from those detailed in the subcommittee report of June 2. They are as follows:

1. A sharp increase of 533,000 barrels per month in the motor gasoline requirements for overseas areas with the first arrivals in September.

2. An increase of 324,000 barrels per quarter in the aviation gasoline requirement estimates, principally in the 115/145 grade.

With these changes, the total average military and governmental requirements may be resummarized as follows:

You see there that the revised total amounts to 349,430 barrels a day.

An overall statistical expression of the exact degree of coverage of the total yearly requirements at a given time is difficult to present because of the different methods of procurement followed and the different time periods for which bids have been formally requested. Thus the absence of firm offers at this time for many items in the last half of the fiscal year would normally be expected. With these reservations, the following requirements are at present shown as uncovered by firm offers. This is very important. This statement (a) reads:

Military Procurement items (other than Navy Regional procurement of motor gasoline, distillates and residual fuels). According to the A-NPB statement of July 3 (corrected for subsequent developments in motor gasoline requirements and offers) the following volumes are uncovered at present.

You see on the top of page 3 that these are the uncovered items in aviation gasoline, jet fuel, motor gasoline, and so forth. Those are all barrels per day, which you will see is a very considerable item.

Mr. Weiss: That is January and June, 1948, isn't it?

Colonel Drake: Yes. Then you will notice that even in this quarter in which we are now in, that there are substantial items lacking, although we get into real trouble beginning with October.

(b) Navy Regional (local) procurement of motor gasoline, distillates, and residual fuel. In this case the practice is to request bids for a six-months' period only, with the contract dates so staggered that the expiration dates in the case of the various continental regions do not coincide. The present status of these requirements is as follows: It gives you the contract expiration date; requirements June 27 statement motor gasoline, distillates, fuel; approximate percentage uncovered July 3 statement; indicated approximate uncovered. You will notice that runs down where the Regions 3, 4, 5 and 6, where the chief trouble is, although there are some items lacking even

in those above, Marine deliveries, and so forth.

Then on the next page, the Federal Bureau of Supply Procurement, which is an addition of ours to the Army and Navy requirements. According to information of July 7 from the Bureau of Federal Supply the average fiscal year 1948 position is as follows: It shows in gasoline the situation is not particularly serious. The kerosene and distillates is. Of course it is small compared with the Army and Navy requirements. It was necessary for us to put this in in order for you to get the total picture.

From the above tabulations it is readily apparent that the coverage of the military and governmental requirements is seriously deficient. Details as to the uncovered items and their point of delivery have been advised by the procurement groups to the oil companies operating in the areas involved with the request that further bids be offered against such items. In addition, efforts have been made to remove obstacles such as pricing bases, points of delivery, and product specifications.

I might add meetings which our committee held with the Army and Navy officials and officials representing the Bureau of Federal Supply, we told them perfectly frankly one of the reasons why they hadn't been getting the bids that they needed was that the specifications and the forms which the bidders were obliged to sign were so onerous, particularly in this

time when there was such a tremendous demand anyhow that it was something they ought to consider. So that I think as a result of that talk that the Army and Navy have now begun to realize the importance of ameliorating some of these specifications, which they have now done. However, in spite of that, to date few additional offers have been received. That is what surprised our committee.

As a result the following uncovered items are particularly urgent and require immediate action -- this is the thing to my mind is the most important, because it is something we face right now, today:

1. Aviation gasoline and jet fuel. While in the tabulation above, most of the first half deficiency is shown in the second quarter, distribution of offers received to date is such, according to the Services, that there is an urgent need for approximately 1,500,000 barrels of additional aviation gasoline. Roughly half is requested as grade 115/145, but temporarily offers of 100/130 will be accepted insofar as possible as a substitute. That is important to know.

Additional bids are required in approximately equal proportions in each of the principal areas of the country. In the case of jet fuel, partly because of distribution problems, there is a present need for approximately 75,000 barrels additional.

2. Motor gasoline. I think the most of this requirement

is for outside the country. There is an urgent need for additional offers of approximately 1,000,000 barrels of motor gasoline for shipment from the Gulf or East Coast as a result of the added overseas requirements mentioned above. Some five or six cargoes of the total are required for shipment in July or August, of which at least two or three should be in July. That shows how critical this situation is.

There remains a requirement for 80 octane gasoline of only 60,000 barrels for the entire fiscal year. I understand the rest of it is just the ordinary house brand grade. A portion of this is needed promptly and delivery will be accepted in whole or in part and, if necessary, at a single delivery point.

3. Navy special fuel oil. The Navy special fuel oil requirements on the West Coast are only approximately 50 percent covered for the first and second quarters of the fiscal 1948. Additional offers of 20,000 barrels daily are urgently needed. While the East Coast overall requirements are not as pressing, nevertheless again due to distribution problems, additional coverage is required.

This is something that has been added since this was printed. I merely said the Bureau of Federal Supply is in urgent need of additional offers of fuels in the amount of 16,000 barrels daily principally on the West Coast.

Then the summary. While as discussed above, it is not practicable to state precisely the uncovered portion of the

military and government requirements by periods, the above information permits approximate estimates of such uncovered portions on an overall basis for all products as follows:

Fiscal Year 1948	Uncovered Portion
First Quarter (July/Sept.)	One-sixth
Second Quarter (Oct./Dec.)	One-third
Second Half (Jan./June)	Two-thirds

I am not so much concerned with the two-thirds for the second half. Undoubtedly a lot of that will be taken up. What we are facing now in the first quarter and the second quarter is something very serious.

The volume uncovered in the first quarter is equivalent to approximately 1 percent of total U. S. output of petroleum products. This uncovered volume, however, represents largely aviation gasoline, motor gasoline, and Navy special fuel oil, all of which are urgently needed to meet military requirements.

The Chairman of this committee has had numerous personal talks with some of the officials of the Army and Navy, and I can't begin to describe to you how serious this situation is. We go out and raise a million dollars for public relations. I am entirely in agreement with the necessity for doing that, but think of what will happen if it becomes necessary for the Army and Navy to ground a lot of their planes, for the Navy to put up a lot of their boats, simply because the petroleum industry fell down on the job. The advertising we would get

would go a long way to nullify a public relations program which we had.

I understand from the powers that be in the Army and Navy that the response which they have had from some of the companies has been on the whole what might be called fairly good. Some of the others, it has been very bad. I think the President of the Council and the Chairman of this committee will endeavor to talk to the heads of many of the oil companies as they can, to talk about their individual situation. But it is necessary, gentlemen, that the chief executives of these companies take hold of this problem themselves, and not leave it to marketing vice-presidents to decide how much they are going to bid on these Government contracts.

I think we all know it is only natural for the vice-president to want to protect his outlets so that no one drives up to a service station of "X" company where he can't get it, where he can get it at "Y" company across the way, simply because "X" company bid on lots of this business. It seems to me the only way we can meet this situation is for the chief executives of these companies, when they go back home, take and find out just exactly how much they have bid on all these products for the various periods, and then tell those marketing vice-presidents here that there has got to be a substantial increase in the amount that they bid over what they have already bid for. I am satisfied unless we do that

we are just not going to get anywhere. Industry is going to get a black eye, which is the last thing that any of us want.

There are some members of this subcommittee here, like Fay Dow and Russell Brown. Page, unfortunately, is not in the country at the moment. Mr. Cogan has an able substitute for him.

I am just wondering if you, Mr. Brown and Mr. Dow, will care to say a word, because you have done a wonderful piece of work in connection with this important matter.

Mr. Hallahan: Thank you, Colonel.

Mr. Brown.

Mr. Russell Brown: I don't believe there is much I can add to what Colonel Drake has said, except I was very greatly interested first in just why we were not getting the bids for the Government, and after the first meeting we sat down with all the Government agencies and went over this for two or three days, and we had a very fine response in their attitude toward our charge as to rigidity of their procurement regulations. I thought they were very difficult and probably were stopping their whole program. But we did have a fine response; they met us in every way we could ask them to do in that. Of course, we had some difficulty in changing of demands and figures. That all worked out. On the whole, those of us who are working daily with the military feel we ought to tell you that we have had the very best response on their part in trying

to make it possible for us to meet their requirements.

I should state the impression I get in going about on Capitol Hill where I come in contact with the legislative branch of the Government, I can't say too much to you about the serious import of a failure on our part to do everything within our power. I would like to see sometime if a system could be worked out so these military requirements could be set aside like part of your income you set aside in anticipation of taxes, set aside so much in anticipation of military requirements so we can get those boys out of our hair, because they have got a lot of force. I am sure they are doing the thing that is essential to the Government. All of us recognize the force of a failure to meet military requirements. I hope that now that we have been able to get all of this information available, that we will find some means of being able to say to the Committees of Congress when asked and the various members of Congress, that this thing has been done in our usual good manner.

Mr. Hallanan: Mr. Dow?

Mr. Dow: Colonel Drake, I think there is very little that needs to be added to what Russell Brown has said.

In addition to the contacts which we have been making with the military in connection with various phases of this matter, our committee's work in part has been of a clerical nature. We have taken a lot of detailed sheets and tried to condense

the figures into quarterly periods, requirements and coverage in order to give the members of this committee a quick look at what the situation is. That is the report today. Of course, it is oversimplified, necessarily, but it has the substance of the situation. I have this feeling, if the Army and Navy are going to get their supply on a hand to mouth basis without a reasonable assurance of supply over reasonable periods of time, then the oil industry can expect to face a continuous process of testifying before one or more of a half dozen committees.

Let me illustrate that by what happened this morning? The Chairman of the Merchant Marine Committee of the House announced if the oil industry had so much oil to export, he was going to find out why the Navy couldn't get its supply of oil. His method of doing that was to send telegrams, first to the owners of most of the tank cars of the country. He had them up on the stand this morning. He asked them to tell him what tank cars were moving oil for export and what oil was in those cars, and he has similar questions in store for pipeline companies. Of course, that is a vexatious and uninformed way of getting at the situation, but we meet that before those committees.

I am inclined to think that the oil industry is facing an unnecessary continuation of unfortunate publicity in these hearings unless this situation is met, and as I know it must

be met. It is unthinkable, of course, that the Navy and Army should not get all of the oil they need. We know they will, but to do it and give them the assurances and do it promptly, is going to save us a lot of trouble in my opinion.

I want to add one word to what Russell Brown said about these military men. They have been called up before committees. They have exercised, in my opinion, very fine restraint. They have not criticized the oil industry. They have stated their situation simply and stopped without making it appear that the military was being neglected. I think we owe them a debt on that account, as well as the cooperation our committee has had.

Mr. Russell Brown: I subscribe to that.

Colonel Drake: I might say in connection with what Mr. Brown and Mr. Dow have said, in effect, it is simply this: That the Army and Navy has used a great deal of restraint in this. What they have done is to give the industry its chance to do this job. If the industry doesn't do this job, I think it doesn't need much imagination to know what is going to happen, obviously. They will go to Congress. The mood of Congress is that they will give them anything they want in the way of legislation. They will say, "We will take what we want, they are going to get it anyhow." Industry has a chance now and I hope it won't fall down on the job.

Mr. Holliday: Mr. Chairman--

Mr. Hallanan: Mr. Holliday.

Mr. Holliday: I would like to ask about the aviation gasoline phase of this. I don't pretend to know very much about refining. I have just been wondering whether the calling upon individual companies to supply the 100 and the 91 octane may not be asking those individual companies in a time of undersupply to cut down into their ordinary motor gasoline requirements, whereas, if we could possibly go back to something of the cocktail mixing, it might be possible for our industry to supply a larger volume of aviation gasoline without cutting down so much into ordinary motor gasoline.

I had one of those urgent telegrams a couple of weeks ago from the Army wanting aviation gasoline. I reported to them the information I got that we were reducing all of the 100 and 91 octane that we could that was going either to the Army or the National Guard. I know during the war our biggest contribution, I think, to the 100 octane program was the production of these components, Butane, codimer, alkylate. I don't think those alkylates, for instance, are very economical, putting them into ordinary motor gasoline. I don't know whether we could get clearance from the Department of Justice to go back to making a cocktail, but that is the way we got the tremendous volume of aviation gasoline during the war.

We made a certain amount of base stock, but we had great excess of these components. Those components w

shipped clear from our plant to California. Base stocks were shipped up to our refinery clear from Texas. I just wonder if there are some refinery people here that could tell us something about that, whether if we could get clearance for some exchange of these components with people that have got some base stock, whether we could stimulate the aviation part by mixing a cocktail to a certain extent.

Mr. Hallanan: Bruce Brown?

Mr. Bruce Brown: I want to talk to your point, Mr. Holliday. I was making some figures while Colonel Drake was talking that might be of interest. I don't intend to talk against you. I had from the Air Forces yesterday their requirements of 100 octanes, not in percentages, but in simple barrels for the fiscal year--not in localities, or anything else. I have added them right, I think. It is about six million eight hundred thousand barrels. That is about eleven days of our wartime production.

Recently, in connection with a meeting of Colonel Drake's Committee, Mr. Beaufont of our Company, and Dr. Bernard, went over the old secret production figures in the manufacture of 100 octane, and made the best guess they could do in one afternoon, with a general knowledge of the oil industry, of how much that 125,000 barrels a day of the old specifications would change if we eliminated the cocktail business you were talking about that is moving the components around the country, and

the obvious uneconomic manufacturing we had during the war. They reached the conclusion which they can be very wrong, we will have better figures on it when our committee gets to work, they reached the conclusion about half of the wartime production was attained and presumably could be attained without the interplant movements, without the operation of these codimer outlay plants.

If that is right, the requirements the Air Forces have for 100 octane, the six million eight hundred thousand barrels only represents about twenty-six days of production, if all the facilities were run all out. That is a pretty small per cent based on the facilities that the industry has across the country.

Also, if I can take one minute more, I had opportunity yesterday to look at the spread. That is, where the Air Forces wanted the gasoline, how much they wanted on the East Coast, how much they wanted in the interior, how much the Gulf Coast, how much the West Coast, but ^{they} didn't have it exactly by PAW Districts. I suggested they get it by PAW Districts to see how it looked. I was extremely surprised to find their local demand in this country, what they want in the different sections, including that for export, was in fair balance with the location of facilities to make it, which I had not known before.

Mr. Hamon: I notice, Colonel Drake, that 20,000 barrels per

day is fuel oil on the West Coast. It would occur to me, I don't want to ask this, I have no stock in any oil company on the Pacific Coast, nor am I concerned with anything about it except this problem: The reason I qualify that is because the question of what I am going to say seems to have^{had} an occasional political implication in the past. I know when I was out in California recently, there were six operators that were so short of pipe that they put in a sixth of the string apiece. That is how desperate they were to get the well cased. The Navy has a reserve out there, I think, shut down, or is it producing at capacity now? Do you know, Mr. Ball?

Mr. Ball: It is producing about 15,000 barrels, was the last I knew.

Mr. Hamon: Capable of producing about 60,000 barrels.

It would seem to me in view of this material shortage, perhaps with that much crude available for the time being, they could open those wells up and obtain those fifteen or twenty thousand barrels a day until this emergency on shortage of materials is somewhat alleviated.

I was wondering, Colonel, if that is a feasible suggestion? I am not trying to get into politics about it, but it seems to me if I had an oil well shut in, and needed it for fuel oil, I think I could make arrangements with the refinery to chew it up.

Colonel Drake: That might help that local situation.

Mr. Hallanan: Mr. Cogan, you were a member of this working subcommittee. Perhaps you might want to answer Mr. Holliday's inquiry.

Mr. Cogan: In connection with aviation gasoline?

Mr. Hamon: Yes, sir.

Mr. Cogan: On the aviation requirements that Mr. Brown quoted as to the Army Air Forces, that included the Navy requirements. The fact that a portion of that is 115/145, greatly aggravates the situation. It strikes me there would be considerable room for ingenuity in a certain amount of mixing of components in assisting in those cases where plants have been partially shut down, and inoperable quickly, and components from other requirements would be received.

In connection with the supplementary report just read, it, of course, presents none of the details which we ultimately have to get down to in connection with offers, but the ^{June} Kuhn report, also distributed here, has a large table which gives in detail the large individual production by regions. They have kept the individual companies advised as to specific requirements in their own areas.

With respect to the coverage during the latter part of the period, it is quite true, as has been said, it is not in the same urgent nature of the immediate coverage. On the other hand, some orderly procedure for offering at a higher rate over the entire period would seem very desirable from the stand-

point of avoiding constantly recurring questions of the same nature and being in the same fix a few months from now that we have at present.

I think there is one other comment I would like to make in dealing with the details of the requirements and the offers made. I believe the closer you come to the figures, the more impressed you are with the critical necessity and urgent need of prompt action.

Mr. Hill: Mr. Chairman, I can see from the legal standpoint the difficulty of the historical supplies of the services getting together and undertaking to prorate this unwanted business. There appears to me to be perhaps a legal alternative to that, that would be a request by the services of bids by these historical suppliers who have the facilities of manufacturing, and so on, to take care of this deficiency in some reasonable relationship to either their past supply--that is something that could be initiated by the Services without bringing about any collusion or collaboration--or allocation of this business which doesn't seem to be business that is wanted competitively.

I would like to ask the Colonel, if, in giving the industry a chance to meet this situation, whether or not that type of expedient has been resorted to by the Services?

Colonel Drake: I might say we have Colonel Vogel and Captain Wilson right here representing the Service. Perhaps

they can answer it better than I can.

Mr. Hallanan: I was about to call on them.

I want to present Colonel Vogel, Chief Executive Officer of the Army and Navy Petroleum Board. We would like to have you make any observations you consider proper.

Colonel Vogel: I appreciate very much the opportunity to appear here today.

Mr. Hallanan: I think it would be better if you came forward.

Colonel Vogel: I might, in effect, start out with an answer to Mr. Hill's inquiry here. We have considered the possibilities and discussed the possibilities military-wise of furnishing such a statement. The Secretary, the Under-Secretaries particularly of War and Navy, have both heard this particular proposition and it is our feeling that if we military-service-wise, for our one percent, I believe it is, of the total requirements that we need on gasolines, would institute anything of that sort, that we would for a very small portion of the total requirements of the nation be in effect imposing a rationing on industry that we do not feel is necessary unless industry, itself, requests such an action be taken.

Can I say any more on that phase? Does that clarify our position?

Mr. Hill: I think I understand it, Colonel, that you are

reluctant to do that because you feel that it might be a thing that would be unwelcome, Colonel.

Colonel Vogel: We feel very definitely it might be interpreted as a form of Governmental rationing, if you want to put it that way. We feel very definitely that industry, itself, should do its own rationing, if you want to put it that way, company by company, of the requirements that we set. That has been our viewpoint right straight along. We have been reluctant to take any action on such a suggestion.

Mr. Hill: I see an alternative to your statement, though, Colonel. I don't see any need for programming it, but I don't see any reason why being uninformed about this business, that your procurement officer couldn't talk to the heads of these different companies separately and say how would you react to eighty thousand barrels, or fifty thousand barrels, of this or that or the other. In other words, that is not an over-simplification of the problem. It looks to me like if I was engaged in private business, I would meet it in that fashion.

Colonel Vogel: I think our negotiators have said everything and more to the people on their level as to everything they can possibly figure out. If there was any specific thing further that we could carry on as negotiators without actually becoming involved in the legal aspects or in the rationing aspects of this, I think the services would be glad

to know about them.

Mr. Wilson: May I comment on that? If he had been in the refining business, I think he would have known the things were put up pretty straight to the company as to its obligation to take certain shares. I do think the industry would find it very difficult and would rightfully object to any indication that you should take three per cent of the aviation, three per cent of this, and three per cent of that.

I do think when you take into account all of the procurement, I think the Treasury procurement ought to come into this, too. It is all part of Governmental requirements. While some company has ten per cent of the refining plants of the country, it may be furnishing only four per cent of that business. You have got to go pretty close to the top on a condition of that kind. You can't do it on the individual production. You add them up from the different sources and find some company is falling far behind, I think their chief executive ought to know about it, and I believe he would know about it.

The problem, though, trying to do it with individual production, with so many local situations, I think would be very difficult.

I might add one more thing. I think Mr. Holliday's suggestion would help the situation greatly. I don't think that it is particularly true as to the individual components, when

you come to 115/145--a lot of the companies that could get quite a bit of 100 octane, didn't make a drop of 115/145. They don't have the components to go into that. That was done by the Government putting in this compensation plant, having a lot of able, technical men doing nothing else. I can readily see why the Army and Navy don't want to start such a procedure. It may be the answer to getting a lot of 115/145, in lots of instances where they have no codimer facilities, things of that kind.

I think the industry ought to work out those things by two or three companies getting together and doing some war-time exchanges. The Army and Navy would have to build up a big staff to do the kind of job that was done in wartime on that mixing.

Colonel Vogel: If I might proceed a little further as to the effect of not meeting the requirements as set up by Colonel Drake. Our motor gasoline situation, which was shown as an immediate need for a million barrels for shipment purposes, certainly between now and the first of September, is already having its effect on our occupational forces on the European Continent. We have been forced to tell them exactly what they have coming and they are starting in to cut their activities to that cloth. This is not alone military consumption, it is military and civil economy that we must export over there as a part of the policy of occupation.

I can urge nothing further than that motor gasoline must be purchased and must be en route in the not too distant future. Certainly not before the first of September. In the meantime, the rationing by the occupational forces has begun.

As far as aviation gasoline, the quoted figure was a million five hundred thousand barrels, about fifty per cent 100/130, about fifty per cent 115/145. The effect of that has already been felt in areas within the United States where we are meeting almost daily to back up the remaining supplies between the Army and Navy, and to allocate to the points of use.

Telegrams have already been sent out suspending all operational flying--not operational flying, but exhibition flying and anything that is excess to training. To break up these aviation training programs, which is the next and only alternative step we have, will certainly put us in a very critical position as far as a continued pool of active trained fliers, reserve, particularly.

We urge this quantity of aviation gasoline is imperative.

On the Navy Special Fuel Oil side, which the figure quoted was some supplies of around 500,000 barrels a month deficiency from now to the end of the calendar year, very definitely the storage position and the operating position that we have will force us to cut certain training cruises and this again comes into the category in a very critical period where we do not feel

that such a course is justified.

The Under Secretary of the Navy and the Under Secretary of War asked me to make perfectly clear these operational necessities to you and to again urge every possible cooperation which I feel certain the industry can give and will give during this particular period of time.

The offers, or the indication of offers after the first of the calendar year, and due primarily to the activities of your committee and the Oil and Gas Division, Mr. Ball, in his telephone calls and telegrams, have resulted in a more hopeful picture.

Each company, company by company, is thinking conscientiously and accurately on our requirements beyond the first of the year. I hold the same hope that Colonel Drake does for that period of time, but the immediate necessities I think we have adequately quoted.

Mr. Hallanan: Colonel, would you object to any questions?

Colonel Vogel: Not at all.

Mr. Hallanan: Are there any questions?

Mr. Majewski: It may be well for the Colonel to state that the Army and Navy have removed a lot of their former buying regulations to get supply. They are not restrictive as they used to be. It is now more desirable to bid on that business than it used to be in the past.

The Colonel might well tell us of that.

Colonel Vogel: We have conformed as far as we can with the requests and indications that Colonel Drake's Committee have brought to us. The first item was 80 octane gasoline. We cut that to a bare minimum, but we still have a small requirement for it. We think that can be met and the restrictive clauses and so forth in the specifications, in the invitations for bids have been waived as far as they could be. We are bound by certain very definite Congressional Acts that limit just exactly how far we can go with our types of bidding. We have stretched those as far as we can. We haven't gone as far as we have been urged by certain Congressional Committees, to request legislation on a change. But we don't seem to think that is necessary and a majority of the companies to whom I have talked directly have indicated that that is not a principal bar against any of their bidding.

If there are any specific points that you want to tabulate and let me have, I would be happy to see if we could do anything further along this line.

Colonel Drake: Colonel, there are no big supplies anywhere. Some people wondered if you had anything kind of on the side to draw on?

Colonel Vogel: Our stocking position may be interesting to you. Internally within the United States, the American Army and the American Air Forces have not had storage except

on their fields. They do not have any storage except that that is for their day to day consumption. They have depended upon industry to supply this storage, to supply the production through those storages and supply the distribution system that got it to our field or to our post camps and stations. That continues except where we must now pick up the balance and actually effect some internal distribution ourselves, where we cannot get coverage bids on those types of products.

On the Navy side of the picture, the storages that they have available for fleet operations along the Sea Coast and in certain overseas possessions, have of necessity been depleted in stock, primarily from a budgetary consideration trying to meet a particular budgetary level. Under those circumstances they were at the beginning of this fiscal year at or below what we consider minimum safety. As a consequence, we are forced in the present tight supply situation to request industry to assist us in rebuilding what we consider the minimum operating reserves for the Navy.

Mr. Wilson: Regarding bidding restrictions and difficulties, the last request for bids I happened to see on aviation gasoline, which was a month ago, contained those provisions that the price must not be in excess of that which you are charging under your contract for like materials to others.

It is probably no secret that the oil industry has some old contracts for their lines that it wishes they didn't have,

made at a time when there was some surplus and made possible with certain of their stocks that they could make aviation for very cheaply.

Of course, the only additional aviation that could be made today is stuff that has got to be made at very much greater expense. Has that requirement been modified or not, Colonel Vogel?

Colonel Vogel: The requirement, itself, is still on the statute books, but it ties in with the other point of the question where we have been requested to give a letter in effect saying, "Furnish us what you did in 1936, or 1935, or 1938, when we were buying aviation gasoline before." That is the only basis we would have to go back to. But it certainly has been no bar against us accepting a bid price as set up.

In other words, even in spite of that restriction, we have been accepting bids at the price offered.

Mr. Hallanan: Are there any other questions, gentlemen?

Colonel Vogel: If you have any compunction about that particular specification, don't let us stop you from bidding. Please bid.

Mr. Hallanan: Thank you very much, Colonel.

Mr. Holliday: I would like to broach another question for Russell Brown to discuss. I can't help thinking, at least as far as aviation gasoline is concerned, I think it goes to the other products, our difficulty is that we are a very keenly competitive industry and we don't have the opportunity as we did in the War to pool our resources to help the Government. Bruce Brown is not here, is he? You can answer me, then. Some companies have more catalytic cracking capacity than others. I suspect, Colonel, that a lot of this is your refinery boys rather than your sales people that will tell you they can only make so much aviation gasoline. What they mean by that is that they make more when they can't produce motor gasoline of competitive octane value. And it isn't reasonable to ask one particular company to be more patriotic than somebody else and step out of the compensation on the quality base.

The figures that Bruce Brown gave of our aviation gasoline production were in a time when we were furnishing the civilians a perfectly lousy quality of motor gasoline. I can't help thinking that there is a localized octane condition, for instance, that makes it more difficult for refineries in

certain competitive areas to increase their production of 100 octane. I can't help feeling, too, that if we were able to exchange components and do a little cocktail mixing, we might be able to produce more aviation gasoline without undue sacrifice to any particular company.

Mr. Hallanan: May I call upon Captain Wilson of the Army-Navy Petroleum Board now to supplement anything which Colonel Vogel might have said.

Captain Wilson.

Captain Wilson: There are two or three points that came to my mind while Colonel Vogel was speaking and some of the men who preceded him. I think I might take them up in somewhat the relative importanceⁱⁿ which they appear to me.

In regard to these requests which have been made frequently for changes in contractual and purchase methods on the part of Government, I would like to leave this one thought with you.

They have modified those to some extent, I might say, without significant results. But be awfully sure in your own minds as American citizens, not as sellers of very important products now, that what you are advocating is the way that you as an American citizen would like to see public contracts and public money handled.

This relaxation of the strictness under which we operate, I think, is very definitely tied in with that.

As regards changes in specifications, I think as industrialists, American industrialists, you are all very proud of the equipment the Armed Forces had during the War and have now, the fact that we probably are the best equipped Armed Forces in the world and in the foreseeable future. Don't put us in the position of being forced to operate that most excellent equipment on second grade fuels or lubricants.

As to the Naval Fuel Oil reserves which came up a while ago and purely aside from any political discussion on it, I think the present situation which is, you might say a pseudo-emergency, illustrates completely why those reserves are locked in. If we were faced with a real national emergency, that would be the time to break them up and not fetter them away in every little temporary emergency which comes along.

As result of the end of the war, you have heard a lot about demobilization and cutbacks, and cutbacks and cutbacks. It is perfectly obvious it is the will of Congress and the American people that the military forces left in being be at a pretty low level actually as to size and personnel, a lower level than the senior commanders of each of the three Services have publicly announced that they were willing to accept in view of world conditions as they are. Nevertheless, that has been the prevailing thought in Congress and has been universally accepted in and out of the service, but accepted only on the basis that what forces are left for us to deal with are

kept instantly and constantly in readiness to meet an emergency. Anything less than that, you are just waving in the breeze. It doesn't amount to a row of beans. If you have got five ships that are ready, one squadron of aircraft that are ready, it is better than having five hundred of either category grounded.

The gravity of this situation that confronts us is immediate. It is around our necks right now. We are below, on the Navy side, and I am convinced also on the Air and Ground side, a minimum acceptable level of fuel supplies. Tomorrow, next week, in August, in September, and for the foreseeable future.

There are two ways to correct that. One of them is to get more supplies in a hell of a hurry. The other one is to cut back on operations until the meager supplies that are in sight catch up with us. The minute we cut back on operations, we lose an immeasurable amount in the matter of training, which is just as important to keep this force in readiness as it is of the average magazines with ammunition or the bunkers filled with fuel.

The obvious alternative which is the most acceptable from every point of view, is to get more supplies. If we can't do that, we have got to take the only other alternative left. The implication is pretty clear; if that happens, by no stretch of the imagination will the Army Air Forces or Navy be ready for any kind of national emergency.

So if that is permitted to happen, you can all go home and

relax and say, "Well, we are like Switzerland. We couldn't defend ourselves if we had to." I think the implications are pretty crystal clear as to where that will land, in the event that does happen.

I would like to emphasize again, this is not some future emergency; we have been talking about this subject since January. I stood up here in April at the meeting and gave you a full compilation of our requirements at that time. I told you then it had the appearance somewhat of being a brush-off. Gentlemen, it still has the appearance of being a brush-off, but what I would like to emphasize with you is that we are really gambling in blue chips.

Thank you.

Mr. Hallanan: Captain, would you object to any questions?

Captain Wilson: No.

Mr. Mattei: One of the gentlemen here made the suggestion about the Navy Petroleum reserve was slowed down partially in California. I am fully aware of the whole thing. Has any attempt of the Navy been made with respect to opening a sufficient amount of oil in that reserve to assist in taking care of the West Coast requirements?

Captain Wilson: No, it has not.

Mr. Mattei: Don't you think it would be worthwhile to talk to the Secretary about it?

Captain Wilson: Frankly, I don't think so. It is com-

pletely opposite to the basic policy of those Navy reserves, which is for a real national emergency.

Mr. Mattei: I happen to have lived with the Naval reserve and know something about it. Whatever the policy may be, I think it is time in this situation to temporarily modify that policy. It is my understanding you would have to go to the Congressional Committees.

Captain Wilson: That is correct.

Mr. Mattei: To get temporary relief. I think that relief could be granted, if temporary relief were applied for.

Captain Wilson: Of course, you set a precedent then that will make it so much easier to accomplish it the next time, that is all.

Mr. Mattei: I doubt that.

Mr. Hallanan: Are there any other questions?

(No response.)

Mr. Hallanan: Thank you very much.

Mr. Majewski: Mr. Chairman?

Mr. Hallanan: Mr. Majewski.

Mr. Majewski: There are several plants being offered for sale by the Government. One sold had a 29,000 barrel capacity. It is in a location where there is crude oil and transportation facilities. Why couldn't that be put to work to make Navy Special and make aviation gasoline for the military forces? There is another one at Duncan, Oklahoma. Crude oil is avail-

able and the transportation is available to operate that plant. It seems to me like that ought to be developed before you go to cocktail mixing. Are there any other such plants being offered for sale at low prices?

I come to the real subject in mind. You know in this oil business there is a little selfishness left, not too much, but a little bit, where in an area of scarcity like the middle west, a dozen companies following the lead of a large company there, announce^d what they were going to do with their customers. They said that they were going to do so and thus. They wouldn't give them any more than they gave them for the same months last year, but there are some twenty-eight other companies who have been silent and said nothing, leaving the implication that they have got everything in the world to sell and they failed them, and you know damn well they haven't. It seems to me that if every company had a little courage, and the blame will fall in your lap, as was amply shown by these military people and Colonel Drake, it seems to me if you will cut back a little bit in your anxiety to develop your commercial and dealer business, that you could take care of the Navy. Big and little people can help take care of the Navy and the military forces.

There were a lot of people before the War who thought that was the best business in the world, to the extent that they cut prices two and three cents a gallon to the Navy and mili-

tary forces. They thought it was so good that they gave it away to the military forces. I notice some of those people aren't bidding today. What is the difference? I wonder what changed their minds? Have they lost their affection for the Army and Navy business? I think they ought to take that Army and Navy business in the proportion they took it before the War when it was a desirable business, at a hell of a low price, which some of the independents bemoaned constantly. I think we have been studying this since January. To refer it back to the Navy is a lot of hocus. The responsibility is this industry's. And if necessary, you know how to cut back voluntarily, your other business, in order to take care of this. I think we ought to quit wasting time, Colonel, and go to the nut cracking, if you please, like they do with these screw machines, and begin cutting nuts and giving the Navy what they require.

They have removed the restrictions that were so obnoxious to some bidders, and we ought to say to the people who thought it was good business in 1938, 1939 and 1940, why don't you bid on your share of that business? Some of them aren't in this room today, but if the whole industry is going to go down in the opinion of people of the United States, we ought to talk to those guys that aren't here today, or even who are here today, who are refusing to bid on this very essential business. I think we ought to quit talking about it and start

nutcutting.

As an industry, stand up. Do what we are supposed to do. Everybody. Nuts, I am talking about, which is the screw and bolt operation.

Mr. Hallanan: Mr. Holman?

Mr. Holman: I think we are certainly all very impressed with this very thorough study Colonel Drake and his committee have made. It has also been impressed by the remarks of the Colonel and Professor Brown, and Fay Dow, have made. Certainly, it has been the obligation of industry to meet this responsibility. I think the industry will and should do it. I think that every company should do their best to forecast the requirements of the Army and Navy. We have been a traditional supplier of Armed Forces. It is business that we wanted one time and it is business we want today. We have continuously tried to set aside far in advance of bids what we thought they might need. I think it is up to everybody to be sure they supply what they think it is their responsibility to supply in this time. I certainly want everybody to know our company is going to do it.

Mr. Hallanan: Mr. Ball, I know you have been very close to this situation every day. It has been a problem that has been very seriously before you. Perhaps you would want to review or add something to what Colonel Drake's report has brought to the Committee.

Mr. Ball: Mr. Chairman, I don't know that this Council will ever have anything more serious before it, than this thing that is before it right now. We feel that way and have for sometime. This isn't a thing that has come on us suddenly.

As Captain Wilson said a few minutes ago, it has been talked about by this Council since January. It was up before this Council at its April meeting. Here we come to the July meeting and the Services are still short. I am not a refiner. I am not a marketer. At the present moment, I am not in the oil business. I wish I were, but it seems to me that this is something that the industry has simply got to do. It isn't just the public relations thing I am thinking about, either. It can go a lot farther than that. This industry can wipe out most of the value of that million dollar public relations program in which I so thoroughly believe, by failing to meet this requirement of the United States Government and meet it in full. We are a pretty good cross section of the American public right here in this room at this moment. There isn't a one of us who doesn't feel apprehensive less we may have a military emergency, in the near future. There isn't a one of us who would want to say with positiveness that we are not going to be in a military emergency within a comparatively short time; feeling that way, as I am sure we will do, and just forgetting the moment that we are in the oil industry, what would we think if it were brought out before a Committee

of Congress or otherwise, that in this situation where we may meet an emergency within weeks, at most months, for all we know, the oil industry had failed to supply our Armed Forces with the petroleum products that are necessary to meet that emergency if it comes.

You know how every one of you would react if you were not in the oil business and you heard that was the case. Do you think the Members of Congress are any different in their reaction than any one of us would be under those circumstances? And do you think that if the Members of Congress became convinced one of these days that the industry is not going to supply the Armed Forces with their immediate necessities of petroleum products, that the Congress is not going to pass some kind of legislation by which supplies will be allocated to the Armed Forces? And do you think that if that happens, we are going to stop there and not get further Government controls and further allocations? This can go a long, long ways, gentlemen. It is a serious matter for the oil industry.

As Russell Brown has said, and as Fay Dow has said, as Colonel Drake has said, these men who have the responsibility in the Armed Forces for getting these supplies, have shown what I think is remarkable restraint in refraining from public criticism as long as they have, because after all this has been before us for quite sometime. They have gone before Committees of Congress where they were put under pressure.

Not only were they given every opportunity, but put under pressure to say that the industry had fallen down on its job. They have refrained from saying it, but these men are under a terrific responsibility. These men who have spoken to you today, and their associates. And they have played ball with you by not taking a critical attitude where it would hurt. Now we can't fall down on them. We can't fall down on the Armed Forces of the United States, and it isn't that we don't all pretty well know what the situation is--as I say, it has been before us for months now.

I hope the day isn't going to come when anybody will have to say you should. I certainly hope the day is not going to come when anybody will be in position to say you must take so much, you must take so much, and y u must take so much. I hope the day isn't going to come when anybody in the Government is going to say you should take so much and you should take so much, and you should take so much. I don't believe, gentlemen, that there is anybody in the Government wise enough to say how much anybody should take.

On the last three days, I have talked on the telephone with the head of virtually every good-sized supplying company in the United States, and I have said I have no figures before me as to how much you have taken. I certainly have no figure before me as to how much you should take. I certainly would not feel competent to know or try to judge how much you should

take. I certainly would not feel competent to know or to try to judge how much you should take. The only appeal I can make to you is that you re-examine your situation and take just as much of this as you possibly can, because the situation is not being met and somehow or other it must be met.

There isn't much more that we can do in the Government. I don't think that the Government can or should reinstitute a staff that will allocate components from one plant to another. If we can help any by advising somebody that somebody else has some codimer and somebody else has some alkylate, we will be glad to be of use. I hope the day doesn't come when Congress calls on us or anybody else to set up the staff that will be required to allocate^{alkylate} from one plant to another, or codimer from one plant to another, or base stock from one plant to another. It would mean the reinstitution of the Refining Division that we had in PAW days, and nobody wants that.

But somehow, gentlemen, out of the wisdom that sits around this table, this thing has got to be met.

Mr. Skelly: May I ask a question?

Mr. Hallanan: Mr. Skelly.

Mr. Skelly: I wonder if the oil is being purchased in East Texas and Gulf Coast by brokers, also in California? To go to foreign countries? If that was eliminated, wouldn't that be a small factor in relieving this situation?

Mr. Ball: It would be a little factor, not a very large factor.

Mr. Skelly: This matter of exports, you know, is getting lots of scrutiny right now, because this wasn't for the benefit of the Armed Forces, that this was undertaken. It was for the benefit of the civilian population. When it became clear the situation was going to be so tight and increasingly tight, export controls were reinstituted. So that from here out, gentlemen, the gentleman from the Department of Commerce can speak to this better than I can, from here out, exports are going to be screened. But that doesn't mean that they can be cut off. A very large part of the exports are essential. I mean we have got to keep the reconstruction of Europe going. Otherwise, it is going to mean a lot in money and men before we are through. But exports will be screened. So far as they can, they will be reduced. That will save some products, but the total exports don't amount to a great deal. What does it amount to? The total exports amount to but one-eighth of one per cent. Wait a minute--that is the Russian figure. The total exports amount to about eight per cent of the total American demands. That can't be cut an awful

Mr. Ball: It can be cut some, but it can't be cut an awful lot without doing injury to the things that we as the United States are committed to and are very much involved in seeing done, the rehabilitation.

Mr. Wilson: I wonder if you could answer one question being asked quite generally. Is the quality of the oil going to Russia, on which the Government approved three cargoes, of a nature that would meet the Navy requirements on the Pacific Coast?

Mr. Ball: The Government has approved three cargoes, Bob. Three cargoes sailed before the controls were reinstituted, Mr. Wilson.

Mr. Wilson: No, it was in the paper this morning that the Commerce Department approved three cargoes over protest, that it was vital to Russia.

Mr. Ball: Mr. Mays of the Department of Commerce nods his head and says that is correct. I don't know what those particular cargoes are, do you?

Mr. Mays: Diesel and fuel oil, PS-200 and PS-400. I know it is reprocessed oil, according to Colonel Vogel and Captain Wilson.

Mr. Ball: Let me get that clear. I would like to know it. Were those products that went on those three cargoes, products you could have used, or could not?

Captain Wilson: Could not have used.

Mr. Blaustein: You didn't tell us the reaction you got from the heads of the oil companies you called; if you made to them over the telephone as fervent a plea as you have made today, and the others have, if you didn't get optimistic

reaction, I wonder if you don't have to have some sort of a plan? It is all right to make these fervent pleas. That has been done since January. Doesn't some plan have to be evolved? I don't know whether from Government to the individual through this group, just to talk about a situation seems to me gets nowhere unless you feel the kind of plea you made to the heads of these oil companies over the telephone will bring some favorable action.

Mr. Ball: Mr. Blaustein, you were one of those to whom I made the plea, no, I didn't talk to you.

Mr. Blaustein: Not personally.

Mr. Russell Brown: I heard you on one. I didn't testify, I didn't know who it was you were talking to.

Mr. Ball: I made this same type of plea, I don't know whether I made it as forcefully, I wasn't as wrought up about the situation as I came to be at the end of the thing. With one or two exceptions who could very definitely say there was nothing they could do as they didn't have the facilities for meeting any of these requirements, with those one or two exceptions, every man with whom I talked said, yes, I agree with you, the situation is serious, we will re-examine our position, we will see if there isn't more that we can do, if there is anything more we can do, we will do it.

But most of those calls were made on the phone, and I don't believe the Army and Navy Petroleum Board have had anything to amount to anything as a result thereof.

Mr. Blaustein: What's wrong with some group, I don't know again whether it is the Navy, this group, or you, giving some indication of exactly what might be expected? In other words, Mr. Company, you supplied so much before the War, can't you supply that much now?

The difficulty is when you deal with matters of this

sort generally and don't get specific with them, as much as we want to get away from specifics, apparently we get no action. Isn't it proper to set up some sort of pattern that perhaps these different companies might be inclined to follow?

I know we don't want to do it. Apparently we are getting no action by being general in the situation. I think it is a serious situation.

Mr. Ball: I would say that only as a very, very last resort should the Government attempt or anyone in Government attempt to set up a pattern. Now, if this Committee, if Colonel Drake's Committee, with the information they have got, and of course what you have here is merely a summary of the information they have, if that Committee, with the information they have, can in individual conversations with the heads of companies say, this is what we think the situation is, I think it will get some results.

Mr. Blaustein: Aren't we at the point where we really have to do that now?

Mr. Ball: I think we really have to do that now.

Mr. Mattei: How about including the Army and Navy purchasing agents?

Mr. Ball: That is in the hands of Congress now.

Mr. Hallanan: Are there any other remarks? What is your pleasure about the report of the Special Committee on Military and Government Requirements?

Mr. Wiess: Mr. Chairman, in the matter of allocation, it seems pre-war there was practically no production of 100-octane gasoline, and at the peak of the war practically 500,000 barrels a day in this country. I think we should get above that. I think perhaps the Colonel should lean over backwards to try to find it. It may be Colonel Drake's Committee or Mr. Brown's Committee, or some one familiar with it, should know, whether you put it by tonnage, by production, or by location.

Of course, the Navy demands heavy fuel. The fuel demand has increased enormously relative to other fuel requirements. The Fleet was increased enormously through the War, now it has been retired. Just the same it seems to me the pre-war percentages performance wouldn't yield a satisfactory index they want to assess themselves.

You have got to go beyond that. I think these Committees in an informal way might do something to help the industry. I suppose they have actually done that, Colonel?

Colonel Drake: Mr. Chairman, I will say, so far as this Committee is concerned, it is willing to do anything it can do properly and legally. I know from talks I have had with the Chairman of the Council, he is willing to do the same thing.

But even though the Chairman and the Committee are willing to do that, then unless the men who were here go back with the frame of mind where they are willing to instruct

their people when this demand comes that they must find some way to do it, then if necessary to allocate in their own way the rest of their supplies in their regular business, unless those of us who are here can go back in that frame of mind, I don't see how we are going to be any better off than we have been.

As far as I am concerned, in my own company, I have talked with our refining people, our marketing people, all that they assured me was that they made all the bids that they could. I am willing to stand up here and say, I am going back to them, I am going to tell them they have got to do more than they did do and do it in a substantial sort of way, regardless of what happens to our regular business. If everybody else here will go back the same way, we are going to get somewhere.

(Applause.)

Mr. Hallanan: In other words, Colonel, treat it as an emergency situation now.

In connection with this same matter, Mr. Gannon of the Federal Bureau of Supplies is here, and I think he might give us the picture about other Government requirements, aside from the Army and Navy.

Mr. Gannon: I am sorry I was not prepared to bring any figures with me. I came on two minutes' notice. It is true we are very, very far behind in our requirements. But I am

also convinced that since the first meeting I attended here there has been a change of heart in some of the major companies in regard to bidding on our contracts.

There were six majors who had stopped bidding. Three have come back into the fold and have assured me that hereafter they have been instructed to bid on whatever they were in the habit of taking care of before.

Another major company said that the order had come out from the top-side to all of their affiliated companies to continue to bid as they had in the past.

Another major company who had bid very liberally came back and offered us some additional requirements.

I am very hopeful, so far as the Federal supply purchasing is concerned. Of course, we buy for the War Department, on-shore. That, of course, wouldn't be considered military buying. We have a great many veterans hospitals. That is very essential. I feel very hopeful.

Mr. Hallanan: That is very encouraging, Mr. Gannon.

The question is upon the adoption of the report of the Committee. Are you ready for the question?

Mr. Hardey: I move the adoption of the report.

(The motion was seconded and unanimously carried.)

Mr. Hallanan: It is so ordered.

Colonel Drake, you will understand this Committee is not being discharged. It is being continued.

Colonel Drake: I didn't know that.

Mr. Hallanan: Major Hardey, are you ready to present your report?

Mr. Hardey: Mr. Chairman, to satisfy those who wanted to put some vim and oomph in the report to the Committee on Crude Availability, I would like to offer at this time the report, amended as follows:

On page 2, an insert No. 1, at the end of the first paragraph, as follows:

"If casing and line pipe were obtainable, it is the opinion of the Committee that substantial quantities of oil would have been available. The producing branch of the industry has had to search for pipe with as much vigor as it normally uses in looking for new oil pools."

On the same page, at the end of paragraph 2, insert No. 2:

"We call attention to the fact that despite all difficulties, the industry is now producing more oil than it ever has."

On page 3, at the end of paragraph 2, insert No. 3, to read as follows:

"This additional crude is unavailable due to the lack of transportation either by rail or pipe line. As soon as the tubular steel becomes available, pipe-line capacity will be built, as definite projects are authorized and are only held

up because of the shortage of steel."

Mr. Hill: You mean line pipe instead of tubular pipe there, don't you?

Mr. Hardey: "As soon as the tubular steel becomes available, the pipe-line capacity"--well, I guess that should be changed to line pipe. Tubular steel is line pipe, isn't it? "As soon as line pipe"--we will change that to line pipe.

On page 4, an insert in the paragraph between the two tabulations there, on the 2nd and last line, insert No. 4 should read as follows:

"The shortage of materials is also delaying construction and completion of many projects that add to the supply of these products."

That is talking about liquid petroleum products.

On page 5, beginning of the 5th line, the word started is eliminated, and substituted therefor is drilled in place of the word started.

Immediately after the word started on line 5, insert No. 6, which should read:

"Due to steel shortage many proven locations must be postponed until the supply is available."

Beginning of line 7, the word immediately is eliminated entirely.

At the end of the first paragraph on page 5, insert

No. 7:

"The oil producers, both large and small, are doing a magnificent job in the face of these difficulties, but production availability inevitably suffered as the result of these shortages."

That is the oomph and sex appeal suggested. I offer the inserts as amendments to the report of the Committee, and submit it for approval.

Mr. Majewski: I move that the report be adopted.

Mr. Mattei: Mr. Chairman, inasmuch as we are discussing the shortages of oil and problems affecting the increase in production and refining capacity, I think this Council ought to come to the realization now, and especially the Army and Navy and other Departments here, as to what the recent Supreme Court decision in the Tidelands Case holds forth for us in California. There is a production of between 55,000 and 60,000 barrels a day in California on the tidelands. Some of it is in the open sea. About 60 percent of it is in inland waters, that may be determined as inland waters or may not be.

That inland water area is Long Beach Harbor, that particular area in the Wilmington oil field. That area today is producing about 60 percent of the oil produced in the tidelands of California.

There are discussions going on now between the Interior

Department, the Department of Justice, and representatives of the State of California with respect to keeping that production going.

The operators on the tidelands in California are now operating on property to which they have no title, and we don't know who the title belongs to.

Inasmuch as the Court decision has set for a final decree to be entered on the 15th of September, it is absolutely essential that the Interior Department and Department of Justice and the State of California get together immediately, which they are doing, but to make an immediate decision with respect to certain stipulations that are necessary in order to keep that production going.

There is no desire on the part of any of the operators to shut their production down, but unless an arrangement can be worked out with the Government agencies involved and the officials in the State of California, we face a situation where not only may a part of that production be shut down, but in addition there are about 150 to 175 wells contemplated for drilling immediately that will not be drilled.

Those wells are better than average size wells and will produce from 15,000 to 30,000 barrels a day when they are completed.

It would be a pretty tragic thing, in my opinion, if by action of the Government agencies that an immediate arrange-

ment were not made so that that production could be kept going. To me it is one of the most serious things we face in California, because if by improper or ill advice, the Government doesn't move on this thing to settle the thing insofar as they can, at least temporarily, we are going to be faced with a much more serious situation in California than we now have.

The City of Long Beach owned the lands or did, or thought they did, in the Harbor area, that the Supreme Court were told by the Department of Justice was not considered in this case, because it was a Harbor or Bay. All that we ask is that the Department of Justice and the Interior Department consider that a Bay or Harbor or inland water or however they want to term it, so the City of Long Beach can go ahead with its development program.

Mr. Hallanan: Mr. Mattei, I had the impression you were proposing to speak to the motion of the adoption of this report of the Committee on Crude Production.

Mr. Mattei: I thought it had been adopted.

Mr. Hallanan: There is a motion pending.

Mr. Mattei: I am sorry.

(The motion was seconded and unanimously carried.)

Mr. Hallanan: It is so ordered.

In connection with the report of the Materials Supply Committee, the Parson's report, which was before us this

morning for discussion, there was some question as to some of the recommendations contained in that report. Mr. McIntyre of the Department of Commerce, as I understand it, is here now, and we would like to have any observations, Mr. McIntyre, that you would care to make in connection with this matter.

Mr. McIntyre: I thank you, Mr. Chairman. There are a few points in connection with the report on which I think some comment might be helpful, by way of indicating what seems to us the current situation, and by way of trying to clarify some possible misconceptions of the operation of Export Control.

In the first place, the Export control legislation was due to expire on June 30, was extended until July 15, and is now on the floor of both Houses, having been reported out for another eight months extension by both Houses of the Congress.

It is clear, therefore, that any remark I may make about the continuation of Export Controls is subject to the enactment by both Houses of the conference report presented to each house.

Perhaps I should say first that the primary development in Export Control today is an attack upon our administration of Export Control because we have not been sufficiently severe, because we have not controlled enough things, because we have let too much go out of the country.

The temper of Congress is clear in that regard. The criticism is entirely in terms of too lax administration of Export Controls in terms of having been too liberal in the permissible exports.

I think it is totally unrealistic, therefore, to talk in terms of a general license, which means no license at all for the exportation of petroleum materials. I must tell you frankly, gentlemen, that the possibility of continuing to export petroleum materials in the quantities which have been leaving the country in recent months is highly unlikely, and that less rather than more such exports are, I think, more likely and more probably to be expected.

The determination is not exclusively in our hands, of course. As a matter of fact, the office which I represent appears before the Export Policy Committee in advocacy of larger quotas and more liberal terms for the exportation of materials.

We come from that part of the Government which has as its primary objective the promotion of foreign trade, and we are constantly seeking larger quotas of these materials for export.

Nevertheless, the fact remains that the flow of production materials into export, and the flow specifically of steel pipe into export, has been so great as to bring down upon us some of the severest criticism and some of the clear-

est mandates from the Congress to cut it out, that we have had in our experience with Export Control.

I say that very frankly because I want you to realize that the current outlook for action by the Export Policy Committee is not in favor of a general license or even larger quotas of such materials for export.

The reference in the report to the relief gotten last January whereby most materials required by American operators were placed on an inactive quota basis was of short duration; during the recent transfer of authority from CPA to OIT, this arrangement was lost. I should like to say that the loss of that arrangement had nothing to do with the transfer. The same individuals who were in the Civilian Production Administration participated in the Export Policy Committee as members of the Office of Materials Division.

It was the view of the Export Policy Committee that the almost unrestricted export of such materials could not be continued, hence the export quota system became impossible and the authority to so treat export applications of petroleum companies was withdrawn from us. We no longer have that authority.

I am concerned about the statement in the report that applications are approved later in the quarter. There has been traditionally in export licensing and probably, unless a millenium occurs in the manpower available to us, will

continue to be a three months' lag between the period of licensing and the period of export.

In other words, the most we can hope for is to get out during August and September the licenses which you would expect to use to ship materials abroad in the fourth quarter. Please do not expect licenses now or in August in time to make third-quarter shipments. The licenses issued in May and June are the licenses which must be relied upon for the bulk of third-quarter shipments. That is true in most commodities, not exclusively in steel or exclusively in petroleum materials.

Another reference is to the complaint that items in easy supply remain on the positive list. Now, we have a total of 130 people engaged in controlling about 400 commodities under Export Control, and the pace is killing. We would like to whip that list to half its present size. We would welcome any evidence that would justify the removal of a commodity from control. We can not operate with as many items subject to control as we now have with the manpower we have.

Please, gentlemen, give me any evidence I can use to go before the Export Policy Committee to say, this item is in adequate supply, can't we take it off control? I would welcome any such material.

Do you know of any way in which we could establish

that a commodity now under control is in adequate supply? Let us know of that, so we can remove it from the list of controlled items, so we can try to persuade the Export Policy Committee to agree to its removal. You can perform a real service in helping us to shorten the list. But the statement that the material is coming out of our ears is not proof to convince the Export Policy Committee. We need real evidence that the commodity is in adequate supply.

Most times, when we try to run these things down, we cannot find them.

There is a reference on page 10 of the report to "a substantial export of petroleum steel to countries in which American nationals have little, if any, oil interests."

I do not make the foreign policy of this Government in any way, but I have been told again and again by representatives of the State Department that our foreign policy does not provide for discrimination in favor of a foreign oil company because it happens to be American-owned as against another foreign oil company which does not happen to be American-owned.

We have not in our licensing policy now, and we have no guidance from the State Department to indicate that we should include in our licensing policy special discriminatory favoritism to a foreign oil company because of the interest, financial interest of American nationals.

It is the objective of our licensing policy to approve shipments to those countries in whose needs the American people, as a whole, have an interest. So far that is the only policy guidance on that line.

The specific recommendations of the report refer to the revision of the export regulations because it says:

"Present controls are primarily for the control of exporters who ship materials abroad for re-sale, whereas the American petroleum operator uses it for American petroleum operations abroad."

The controls are primarily to channel the critical materials which can be spared to those uses which are most essential in the interest of the United States and to protect the essential domestic supply of these materials.

Our first consideration must be the protection of the domestic requirements, the domestic economy within the United States.

Our second consideration is the channeling abroad of those materials which will make the greatest contribution to the interest of this country as a whole.

I must comment on the statement that in actual practice preference is given to the requirements of foreign governments, or that preferential handling of foreign government requirements is given.

As a matter of fact, priorities are not given in the

exportation of petroleum materials, steel pipe, casing, and other materials of that kind. They are exported without any priority action at all. Priorities are given on tin plate where it is to be used food. By the quota assigned us by the Export Policy Committee, we have no authority to give the priority for the use of tin plate for non-food purposes.

But that again is given not with reference to preferential handling of foreign government requirements, but preferential handling of those requirements which are most urgent from the point of view of the United States. There is no intention to provide any preference for foreign requirements over domestic requirements.

There is in the statute which has been on the books and the one which the conference committee of the House and Senate have reported, a provision for assigning priorities to the exportation of material, the exportation of which is held to be essential. But that would be applied equally and it is our intent that it be applied equally whether the requester of the priority is a domestic or a foreign applicant.

I hope that those remarks will be accepted in the spirit in which they are intended, as a sincere effort to clarify some of the questions of the administration of Export Control. It is an extremely difficult task. We make no pretense to infallibility, but to the best of our ability we seek to assign materials, assign the authorization to export materials,

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in terms of, first, the protection of the domestic economy, and, second, the fulfillment of the most essential export requirements.

Thank you very much.

Mr. Hallanan: Mr. McIntyre, will you see if there are any questions? Are there any questions any member would like to propound to Mr. McIntyre in this matter?

Mr. Russell Brown: I just wondered if you would mind telling us how you would determine whether the approval of an export shipment should be made? Do you have any formula on that, or how do you determine that when an application for a shipment of steel, or oil-field material is made to you? Do you have any basis for determining whether that should or should not be made?

Mr. McIntyre: In the case of petroleum material, most of the exportations are made on a project basis. There has already been in most instances an analysis of the whole program of which this export is a part, an integral part, and the determination has been made after discussion with the sponsor in this country and with our State Department, other agencies of the Government, frequently the Services, as to the strategic importance, the over-all importance of the project.

As a matter of fact, to take casing and line pipe as an example, we have a nil quota except for petroleum projects

and that kind of export. We have no general quota at all. We have no export for commercial re-sale purposes of any of that material.

Mr. Russell Brown: Do you in that take into consideration the domestic requirements on that material, or is that laid aside.

Mr. McIntyre: To the best of our ability, that is the Export Policy Committee weighs the need for these petroleum materials at home against the contribution which they can make to this country's broad interests by their exportation.

Mr. Russell Brown: The reason I asked that question, I saw a statement, I think it was Mr. Foster, in which he said your Department had come to the conclusion that the domestic industry was not in need of steel before you encouraged the export. I know the export of oil-field materials have gone up very greatly in the past few years, can you account for that?

Mr. McIntyre: I don't recall the statement of Mr. Foster to which you refer. But it is true that in the fall of 1946, it was felt that this material, first, no controls had applied until the late fall of 1946 on this type of material, it having been felt the domestic supply was adequate.

Mr. Russell Brown: That is what I was speaking about.

Mr. McIntyre: The controls were imposed in November, I believe it was, on pipe, casing, and similar materials.

Those controls remained in effect until middle March, at which time the welded pipe was kept under control but the seamless pipe was removed, on advice from the then operating Civilian Production Administration technical staff that the demand seemed to be in balance. That would seem to be in line with our efforts to eliminate as many restrictions as possible. On the export of seamless the evidence of the next two and a half months convinced us the demand was so great for both types of pipe that the seamless has just recently been added to the controls.

Mr. Russell Brown: Are you conscious, Mr. McIntyre, that under your program you are exporting far more than historically we have exported of this type of steel?

Mr. McIntyre: That is correct. What I should prefer to say, though, is that exports built up in large part during the period when controls were not operative have made the total exports statistically show a much higher shipping rate than is now being provided for under licensing.

Mr. Russell Brown: The main thing I wanted you to get the impression that all of the industry was not encouraging exports of steel. I hope you don't have that feeling that we don't want it to go out.

Mr. McIntyre: I have the feeling from the report that the industry wants unlimited exports of petroleum products, subject to the procurement by American oil interests for use

abroad.

Mr. Russell Brown: Steel products?

Mr. McIntire; That is the language of the report. The language is somewhat subtle, I grant but the phrase says: "The petroleum industry should be permitted to use the general export license procedure"--that is technical language for no export license at all. The general export license procedure is a piece of Government jargon, Bureaucratese, if you will, for give me, it means no license at all is required.

So that language says the American industry should be permitted to export all the petroleum steel it wants in unrestricted amounts. If you will allow me to say, that is unrealistic at the present moment.

Mr. Russell Brown: That, Mr. Chairman, is what I was getting to. I feared you might interpret, might misinterpret what I had to say. I appeared before the Committees recommending no export controls be invoked, for the opposite reason, not because I wanted exports of steel, but because historically we exported more steel under your control program than without it. We felt that you were encouraging exports rather than discouraging them. We think the history shows that is your case. I didn't want you to leave here with the impression that this industry wanted to encourage the export of steel. I don't believe that is the case.

Mr. Wilson: The system of Export Controls is simply to

grant permits. It is simply a matter if you remove controls that there won't be more controls.

Mr. Russell Brown: That has been the direction.

Mr. Wilson: That is the priority system.

Mr. McIntyre: I think it is coincidental that the permits have been rather liberally granted, there is a substantial period here when some or many of the materials were not subject to control, although others were.

So it is necessary almost to time the export statistics with the period of control. But the authorization to export steel for petroleum purposes has not been accompanied by priorities at any time. So the Government has not urged or encouraged or enforced the export of this material, even at any time during the operation of the control system since the war.

Mr. Blaustein: I think what they want to know is, how can the amount of material, of petroleum material be curtailed in export movement and yet maintain this country's interest in the foreign governments to the extent that it has to do things for foreign lands.

I think that is the purpose, the purpose is to cut down on the export of these petroleum materials. But, of course, there may be this other question of the country's interests, interest of the United States with respect to the foreign situations.

Mr. McIntyre: Exactly. I hope to answer that question

by my remark, for purposes of other than these important petroleum exports, none of this material will be exported in the coming quarter. We have a nil quota for the first time. In other words, we have and will approve no commercial exports in the third quarter in this period for re-sale purposes, but only for urgent petroleum uses. Those programs will be approved to the extent they can be examined and found worthy.

But it will result in a very substantial reduction in the total tonnage leaving the country, I can assure you.

Mr. Blaustein: In your opinion, and the opinion of the country, that the national interest in the broad sense requires it?

Mr. McIntyre: Exactly.

Mr. Russell Brown: That is all I have.

Mr. Hallanan: Any other questions, gentlemen?

Mr. McIntyre: I think from the sentiment expressed here we are very much closer together than I had been afraid was the case before we opened this discussion. For that reason, I think the questions and remarks have been most helpful.

Mr. Russell Brown: That is what I wanted to clear up.

Mr. Hallanan: Mr. Raynor, representative of the State Department, would you like to comment on this?

Mr. Raynor: No, I think Mr. McIntyre has covered the point thoroughly. What he has had to say about the secondary support of Export control for foreign matters, I think, is

in line with what the State Department feels. I have nothing further to add.

Mr. Hallanan: The question then reverts to the matter of the adoption of the report.

Mr. Majewski: I would like to say in view of what Mr. McIntyre and Mr. Raynor have said it appears to me this report ought to be re-edited in those phases that have been explained.

I also think that we ought to delete from this report, since the Hartley-Taft legislation has been passed, any reference to providing effective legislation, etcetera, involving labor. I think it is waving a flag, a red one, unnecessarily, and any reference to it should be deleted, inasmuch as we already have the legislation.

Mr. Hallanan: Would you permit a suggestion?

Mr. Majewski: Yes.

Mr. Hallanan: That consideration of this report be postponed until the next meeting of the Council.

Mr. Majewski: I would like to go further than that, that you, in conjunction with Mr. Parsons and his Committee, in the light of what has been said today, and the legislation which has been passed affecting labor, re-edit this and release this report, and we give you that power. I thought maybe we could do it that way.

Mr. Hallanan: I would not consider that would be courteous

to Mr. Parsons to do that without his being here.

Mr. Majewski: You work with his Committee.

Mr. Hallanan: For that reason, I would like to have the matter of the adoption of the report be deferred to the next meeting of the Council.

Mr. Majewski: I withdraw my motion so that there will be no necessity of taking action at this time.

Mr. Jacobsen: I move that consideration of this report be deferred until the next meeting, in accordance with the Chairman's suggestion.

(The motion was seconded and unanimously carried.)

Mr. Hallanan: It is so ordered.

Gentlemen of the Council, I know I express the great feeling of pleasure that we all share in having with us at this time Mr. Ralph K. Davies, who was the Deputy Administrator for War, and the first Director of the Oil and Gas Division.

Mr. Davies, you have been here enough with us this afternoon to recognize that at least this National Petroleum Council has not run out of things to talk about. The members of this Council, a great many of whom served very closely with you during your administration as Deputy Petroleum Administrator for War, are happy to have the opportunity to express the great respect and admiration and esteem which they feel for you and your public record.

We have been very closely associated with you, and we

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recognize that it was only through your vision of the things that were to come, that this Council is in existence. We look to you as the father of this Council.

Last January we attempted to express in words that gratitude and that appreciation and that sense of obligation to you in a resolution which was unanimously adopted by the Council. I am very happy that you are here today that we may make formal presentation of this expression to you. And may I read to you what the Council has by its unanimous vote said:

(The resolution was read by the Secretary.)

Mr. Hallanan: We have been in existence for more than a year. We have tried to fulfill the expectations that you had when you saw the necessity of this Industry-Government cooperative group.

I know that I am not saying anything that surprises you, Mr. Davies, when I tell you that there were many in the industry who looked upon this experiment with misgiving, who were apprehensive as to the objectives that might be sought. But I think I can say today to you, in complete confidence, that there is a general acceptance by the petroleum industry today of the National Petroleum Council as a worth-while organization seeking to render a service worthy of the industry and a service of which our Government may be proud.

You are the man who is entitled to the full measure of

27 credit for whatever we may have achieved.

Your successor, Mr. Max Ball, has given the same co-operation that you gave us. He has been always helpful in charting a safe and sound and reasonable course of action and policy.

Upon behalf of the members of the National Petroleum Council, I desire to present this resolution, which has been enrolled upon a plaque, to you, Mr. Davies.

Mr. Davies: Thank you.

A Voice: Let's see it.

(Applause.)

(The Chairman holds the resolution up for inspection.)

Mr. Davies: Mr. Chairman, gentlemen, if I respond inadequately to the great honor you do me this afternoon, and to the over-generous words of your Chairman, I know you will understand. It is always hard to put it personally into words, and especially for me.

I do deeply appreciate what you are doing. The sentiment is very kind. It is, as I say, over-generous. Certainly it is very handsomely expressed. I only wish I could acknowledge it with becoming grace.

In this testimonial of good will and confidence, you give me something that is priceless, something that I will prize and cherish as long as I live.

Beyond the personal, there is the further satisfaction

to me in the sense that your action demonstrates that an idea is making progress, an idea that I was most anxious to see succeed, the idea of government-industry team-work.

The War placed me in a rather unique position here for several years. Every day for that period I saw demonstrated the soundness of the concept of government-industry cooperation. I saw the great things accomplished by that means. You know what was accomplished, and you know, as I do, that it couldn't have been accomplished in any other spirit, in any other way.

With the end of the War, it seemed that we should do all that we could to perpetuate some part of the gain, that we should not simply forget the painful lessons that we learned during the war period and just write off as a loss a lot of the effort.

I did remain on to that purpose. But I was not by any means the only one who devoted effort to that end. And today I am the more convinced that the time that was put in in that direction was time very well spent, because I see the Council functioning and accomplishing the things that we had hoped for.

The earnest participation of the members, their frankness here as they talk about their problems, the obvious sincerity of your Chairman, the intelligent attitude that you are adopting in the matter of relationships with the Federal Government, those things are all very convincing. They demonstrate that we are making progress, peace-time progress.

Incidentally, I think perhaps this industry is almost alone in having developed something to carry on in times of peace better than we knew before.

I am particularly happy in noting that those who were lukewarm toward this peace-time arrangement and those who were outright skeptics have apparently been won over to the idea, and accept it.

I am glad that they have found that those who sponsored the movement initially had no ulterior motive, were simply making an earnest effort to do something that was in the interest of the industry, was in the interest of the Government, above all was in the interest of the country.

Now, that they are converted, now that we all believe that this is the way to go at our peace-time problems, that we accept this machinery, I hope that we will make the fullest use of it, and I see you are making very good use of it, not the maximum use of it. That couldn't be expected so soon, but good use.

Certainly, we need at least this as a unifying arrangement in respect of the oil industry, with so many highly competitive individual units.

I have been doing a good deal of traveling over the country in the last sixty days. I have talked to a great many people in the industry and out of the industry, and I have asked a number of questions as to what their views are,

particularly in relation to this much talked of oil shortage. What is the public impression? I have also spent some time on the Hill here in connection with this appropriation for the Oil and Gas Division. I have talked to many members of Congress. And I have heard some interesting things from them as to what their impression is, and, gentlemen, it is terribly confused.

I would hope that out of this unifying arrangement we have something even better than has been done, might be done, in terms of getting across to the public and the Congress the actual physical facts of the oil case.

I have read in the papers on one day that the military say there is a distressing shortage of products, that their orders can't be filled. They are alarmed. The next day I read a statement by the head of an oil company that there is no such thing as a shortage, all is well, nothing for anybody to worry about.

A few days later I read that other companies have found it necessary to curtail their deliveries of oil to dealers or to consumers. You have contradiction upon contradiction on the score of this oil stock position.

I am not suggesting any blame rests in any particular quarter. But I am saying that that situation further impressed me as needing some unified treatment. It would be good if there could be issued, it seems to me, some thoroughly

authoritative statement on the subject. What better place from which to issue that than the Council here.

Perhaps the Chairman of your Council can issue a statement that everybody will get behind, recognizing that it is authoritative, that it does tell the truth, not just a part of the truth, but the whole truth in plain, honest language.

So long as you can't buy all you want, so long as you can't buy an unlimited amount of heating oil, or if you are a dealer you can't buy an unlimited amount of gasoline, or so long as the military can't get what they need, and particularly so long as that is so, I don't believe that you stand a chance of convincing the public that there isn't in fact an oil shortage. I don't think you get your story over by saying that there isn't a shortage, it is just a tightness of stocks, just playing with words.

So I would like to urge, in speaking of maximum use of this machinery, that it be employed in ways that it has not yet been employed in that direction, so that the facts, the actual facts, clearly expressed, come from at least one source, with the hope that the individual units over the country, so far as that may be, will get behind that statement, reiterate it, and not contradict it.

But I will say you certainly are making progress. It delights me, as I sit here, to hear Barney Majewski again, to hear the military speak out and tell you exactly what

their situation is and demand that something be done about it, and to see that you respond to that and intend to do something about it.

Certainly, the problems of oil didn't end with the end of the War. It strikes me that they perhaps are going to be as knotty and maybe even more knotty than those that we had to deal with during the War. It is at least cheering that you are organized in this way to deal with them.

I fully reciprocate the expression of good will and the confidence you have so kindly expressed to me. I feel precisely that way toward the Council.

What I have witnessed here today, and particularly the sentiment that you express to me, gives me renewed faith, and makes me very happy. I am deeply grateful to every one of you.

(Applause and a rising vote of confidence.)

Mr. Hallanan: Mr. Jennings, do you have a report of your Committee?

Mr. Jennings: I submit this resolution in connection with the resignation of Mr. R. G. A. van der Woude from the Council:

"Whereas, R. G. A. van der Woude has announced his retirement from active participation in the oil industry and has therefore tendered his resignation as a member of the National Petroleum Council, and

"Whereas, R. G. A. van der Woude has been a member of both the Petroleum Industry War Council and of the National Petroleum Council since their inception,

"Now, Therefore, Be it Resolved by the National Petroleum Council meeting in Washington this tenth day of July 1947 that the Council express its very deep appreciation of his many years of devoted service not only to this Council but also the Petroleum Industry War Council. His constructive advice and wide knowledge of the petroleum industry was often sought by his associates on the Council and his constant assistance and cooperation in all matters of public concern have contributed greatly to the solution of the grave problems which have confronted the petroleum industry and the Nation in war and in peace."

Mr. Hallanan: You have heard the resolution. Mr. Jennings moves the adoption of the resolution. Is there a second?

(The motion was seconded and unanimously carried.)

Mr. Hallanan: It is so ordered.

Gentlemen, on Saturday, June 29, as I recall, June 28, I received a telegram from the Chairman of the House Interstate and Foreign Commerce Committee asking me to appear as a witness on the following Tuesday before that Committee to discuss the so-called oil shortage. Unfortunately I was not able to accept because Barney Majewski had gotten me to go out to his meeting

in Minneapolis, the marketing division of the API, where I was on the program, with Mr. Holman, for the following Tuesday. The Committee, however, was anxious to proceed with the hearings, and I want to let the Council know here that in the absence of any other industry witness that Mr. Ball, Director of the Oil and Gas Division, responded and gave the Committee a most satisfactory and thoroughly comprehensive statement of the problems that face us.

I know that he gave full credit to the oil industry for what it was doing to meet these acute problems. Those who were fortunate enough to be present to hear his testimony before the Committee were proud of it, the fact that we had a Director of the Oil and Gas Division who was not reluctant and had no embarrassment about speaking out in definite and positive terms about what the industry was doing.

I want to make a public expression of our gratitude to him for the way he went to the bat on that occasion. Yesterday when I had an opportunity to appear before the Committee I was greatly pleased to feel its very cordial and friendly attitude. The Chairman of the Committee, Mr. Wolvertson, was exceedingly interested in the Council, how it proceeded. By the way, I invited him to sit in on our sessions here today, but on account of other hearings he was unable to do so.

This House Interstate and Foreign Commerce Committee

is made up of men who are not strange to the oil industry. They have been through many investigations in which we were involved. It is made up of men who have the fine background of intelligent understanding of petroleum problems, and I feel that in this particular situation, it is a happy circumstance, so far as the House of Representatives is concerned, that the investigation of the petroleum activities is in the hands of this very competent committee.

I rise at this time to express my gratitude to Mr. Ball for his very great and very valuable service to us last week before this Committee of Congress.

(Applause.)

Mr. Ball: I appreciate that tribute very much, gentlemen. As it happens that is an easy Committee to appear before, because they do have an oil background and they are seeking facts and not head lines. Therefore, a man is permitted to go before them and tell his story, and if his story involves saying that the oil industry has done marvellously well under the circumstances, there is no back kick on him for saying it. In fact, he finds a receptive Committee to that sort of statement.

I have two or three things that I want to just mention to you, and I will be as brief as I can, considering the hour. Speaking about Congressional investigations, I have this letter from Senator O'Mahoney:

(The letter referred to was read by Mr. Ball.)

Mr. Jacobsen: He doesn't want much, does he?

Mr. Ball: Oh, no, very simple, the date of the letter is July 7, we have from July 7 to 14 to do that. I may say I had had an earlier call from one of the Clerks of the Committee which hadn't indicated anything like that sort of scope. He said they would like the same sort of statement covering the same general ground that I covered before the Wolverton Committee, on which I had less than 24 hours' notice but which was somewhat within my sphere of being.

What are we going to do about this cost of production in this country and the foreign cost of production? I don't know what the cost of production is in the United States.

Mr. Wilson: There is no such thing, every well is different, every field is different. I think the answer to that is it has nothing to do with the present problem whatever, we ought to convince them of that fact.

Mr. Ball: This present problem isn't a price problem at all. It is a problem, as I said before the Wolverton Committee, a barrel of oil anywhere being roughly equivalent to a barrel of oil anywhere else.

Mr. Wilson: It seems to me that was written by somebody, just a clerk, who doesn't know what the shooting is about.

Mr. Hallanan: We might refer it to the industry advisory group which made the investigation before on OPA.

Mr. Ball: That was for the cost of producing oil in the United States.

Mr. Jacobsen: That was for the cost of replacing oil more than anything else.

Mr. Hamon: I want to correct the impression, you don't give the Committee the impression the cost of oil doesn't mean anything.

Mr. Wilson: The cost of production doesn't have anything to do with the price of oil.

Mr. Hamon: That is what I wanted to get straight.

Mr. Ball: I didn't mean to say the price of oil was unimportant at all.

Mr. Mattei: Maybe I can clear up some of these problems, I went down and spent two hours with them.

Mr. Hallanan: All right.

Mr. Mattei: After seeing this letter, I went down and had lunch with Senator O'Mahoney.

Mr. Jacobsen: Did he have lunch with you?

Mr. Mattei: No, he bought the lunch, I have known him for some time. His intentions in this matter are not as broad as expressed in this letter. He is after two things: In the first place, there are pending resolutions before the Senate for an investigation of the oil industry, that nobody knew where they were going, so some Senators thought rather than have a new Committee set up to investigate the industry,

the best thing to do would be to take a Committee that was then constituted and not set up any special Committee.

As Mr. Davies says, there is a great deal of confusion down in the Hill as to what this is all about, especially this oil shortage. Inasmuch as this Committee is already set up and functioning there with an experienced staff and with Senator O'Mahoney as Chairman of the Committee, I am sure we are going to get a very good hearing out of it, not lengthy, probably not over two days.

I found on going down that his staff got a whole list of names from people in the industry, had sent out quite a few inquiries, some of them have responded, some have not. In going over the list, he asked me to suggest those that I thought would gladly appear and would give the best information, and I didn't have time to consult with any of the men present at this meeting.

So I gave him a list, I thought he ought to cut his list down and not communicate with anybody other than a few of those I recommended. I thought that from the industry the independent petroleum association certainly should appear, and Brewster Jennings had already agreed to appear. Walter Hallan could appear and would make an excellent witness. Barney Majewski could talk about the marketing problems. Fayette Dow could cover his side of the problem. Bob Wilson had been asked to appear, and had written a letter saying that John

Boatwright would be there. So I think that probably you will hear from the Senator, if you haven't already, asking you to appear down there, the men whose names I have read off, to give about the same sort of a story that was given to the Wolverton Committee.

In addition to that, the Senator is very much interested in the question of reciprocal trade agreements and their effect on the oil industry. That is the reason for the cost factors being in it. I think, as I told him today, that there would have to be considerably more work done in order to answer the questions I would like to have answered. I told him that I thought his hearing was called a little too quickly to give some of the men an opportunity to think through and get the facts on the questions he wanted to ask with respect to that.

So I think he has arranged or is arranging for Government witnesses other than you, Max, and probably will hear from Colonel Thompson and Jester of Texas. That, I think, would be the extent of the hearing.

Mr. Jacobsen: It couldn't be referred to the O'Mahoney Committee?

Mr. Mattei: You have heard here the problem Ralph was talking about, of the military not getting their supply of rationing going on. You have got to put that stuff in the record down there some place, or you will have investigations breaking out all over the place.

Mr. Hallanan: Mr. Mattei, I would like to suggest, I would hope you would add to your list of witnesses Mr. Eugene Holman.

Mr. Mattei: Mr. Eugene Holman is on the list. It is in small type down here. He is going to file a paper. Mr. Holman was down there yesterday, and the Senator thought he agreed to appear.

Mr. Hallanan: I see.

Mr. Holman: I have appeared enough.

Mr. Mattei: You will get a very friendly hearing. Anybody who appears before that Committee will get a very friendly hearing from somebody who doesn't know anything about the oil business. He admits it.

Mr. Ball: It isn't enough to cover the House side. The Senate side has to be covered, as well, even if it means duplication.

There are a couple of things we haven't brought up here that we may bring before you at the next meeting. I thought I might mention them to you. Those of you who sweated blood through this tanker situation just before the end of June, when we didn't know, as I said this morning, whether a million barrels a day of tanker transportation were going to go out of operation on the first of July or not, know what a period of stress and strain that was, how catastrophic it would have been if the authority to continue the operation of those

tankers by the Maritime Commission had not been continued. It is continued to the 31st of next March. Now just among yourselves, be thinking over whether it would be possible or wise for this Council at the next meeting--we will be exploring the situation. If it does seem worthwhile bringing it before you, there seems to be a possibility of doing anything, we will bring it before you formally. Whether a Committee of this Council should study that tanker situation, so when we come to the end of March we won't go through with another period such as the one we went through just before the end of June, but can get some concrete industry thinking and advise before the Committees of Congress in time for them to consider it and reach a decision so the tankers are not tied up for the end of that period waiting for a new Act.

Mr. Wilson: Didn't the Committee indicate pretty definitely they would not extend it, this was the last extension?

Mr. Ball: The report doesn't read quite that badly, Bob. It is bad enough. Not quite that bad. Of course, all of us look forward to the time the Government will be out of the tanker business, as in every other business. I don't know whether that can be accomplished before the 31st of March. There is a question whether that can be brought about, whether it can be expedited or whether a long range policy can be adopted. As I say, I don't know whether that can be brought before you without getting into antitrust trouble.

We will give that some thought. You will know before the next meeting whether it can be brought up or not. I may want to bring before you this. I have not had a chance to discuss with the Secretary--we may want to bring before you a question of a long-range policy with respect to submerged lands which Burt Mattei has mentioned here. The matter of the lands which are already undeveloped, of course, are not going to wait until the next meeting. That is under consideration today, it was yesterday, and will be tomorrow, right along. But the Government, if its decision is not superseded by a new Act of Congress, is in permanent possession now of a very large area of promising lands. What is going to become the long-range policy with respect to them? That, again, is a thing we want to lay before the Council at the next meeting, to see if we can get some industry advice on.

This is something that I mentioned with a good deal of hesitation. It isn't anything that the Council can act on. It isn't anything the industry as a unit or an industry can act on. But it is something that individually I think perhaps you can do something about.

A man called me up the other day from out west of the Mississippi River. The thing that makes him distinctive is that he called me up instead of wiring his Congressman or the Small Business Committee of the House or Senate, an independent jobber, who handled about five thousand tank cars of material

last year, a man with a big business, a man who supplies in whole or in part a hundred and fifty dealers. And he is out of supply. He is not a man who has been dependent for his supply on buying in the spot market. He is a man who had sources of supply that he considered secure. Independent refiners here and there down through the southwest. Those sources of supply have dried up on him. One of the sources of supply has been bought by one of the major companies. A couple of other sources of supply, refineries themselves, have not been bought, but the supply has been bought by companies represented on this Council. So there is a man who does a very large business, who has served, as I say, in whole or in part, 150 dealers, who is out of supplies, and when he talked to me, he was out. That is not something, as I say, the Council can do anything about. It is not something the industry can do anything about, but it is a type of situation if repeated widely, is going to create a lot of trouble.

Mr. Majewski: May I ask a question, is this fellow from Iowa that you are talking about? If so, there are two sides to that question. I mean, I don't like to just leave it that way. There are two sides to that.

A lot of us are out of material in the middle west, Standard of Indiana, Deep Rock--if the fellow is in Iowa, don't shed too many tears. I suspect that is him.

Mr. Ball: I didn't want to leave the impression that I was

criticizing anybody, either, Barney.

Mr. Majewski: If that is the guy, we have gone too far for him, because we are all in the same boat, that he is. All of us.

Mr. Ball: I don't know that Standard of Indiana--you mentioned Standard of Indiana.

Mr. Majewski: They are in a hell of a fix, and I know it.

Mr. Ball: May I say that independents, at worse, they are short twenty per cent of what they would like to have. This man is short a hundred per cent. I don't know whether anything can be done about him or people like him, by anybody. I do think, though, it is worth mentioning that the individual members of the industry might again keep in mind the public relations and Congressional connotations of letting independent, too many independent dealers go broke. I haven't the least bit of criticism of what I have said, of anybody. I don't think anybody in the business has done anything that any of the rest of us wouldn't do, but it is just an unfortunate situation, and it is one where public relations and Congressional reasons, we all might watch.

Mr. Majewski: I might add that 200,000 barrels of oil a day on the Mississippi River would cure it all, take care of Hand, Standard, me, all of us would be happy. Where do we get the 200,000 barrels of crude oil?

Mr. Ball: You are asking me?

Mr. Majewski: That is the answer, it is that simple.

Mr. Ball: It is that tough.

Mr. Majewski: I think if a guy is out of stuff, and starts belly-acheing or crying when he goes into a business, knows he has no backlog, he is taking a business risk that he shouldn't be hollering in Washington about.

Mr. Ball: This is a man who thought he had a backlog. However, I will say this for this particular man, he called me just because he wanted to talk his troubles over with somebody, not because he wanted to start some Government action.

Mr. Majewski: Some of us have helped that fellow. I want to tell you that, reluctantly.

Mr. Jacobsen: He is not quite as anonymous as Max thinks he is.

Mr. Majewski: This man can cry louder than me. That is why.

Mr. Ball: I took him as a symptom of a condition, that is all.

Mr. Majewski: That is him on the phone now.

(Laughter as Mr. Majewski leaves the room.)

Mr. Hardey: You were talking about the Government being in possession of a lot of off-shore tidewater lands. You don't think they own them down in Louisiana and Texas, do you?

Mr. Ball: I don't know.

Mr. Hardey: We are going to try to lease some of them; on the 22nd of July, we are getting out some injunctions in Federal Court.

Mr. Ball: That is one way to find out. I would like to add one word. I would like to add my personal word, the word of the Council, to Ralph K. Davies. I told you when I stepped in here I was stepping into a big pair of shoes, and as this year has gone on, I have realized it more and more the part Ralph Davies had in creating the Oil and Gas Division, and creating the Petroleum Council. I still think, as when he came in, in the days of the PAW, I think of him instinctively as the chief. I feel whatever I do, this job is just a poor projection of his wisdom, his personality and his grasp and his vision (applause).

Mr. Hallanan: Gentlemen, that concludes our order of business. Is there any new business?

If not, a motion to adjourn is in order.

Mr. Hamon: I move that we adjourn.

(The motion was duly seconded and upon being put to vote, the motion carried.

(Whereupon the meeting adjourned at 5:20 p.m.)